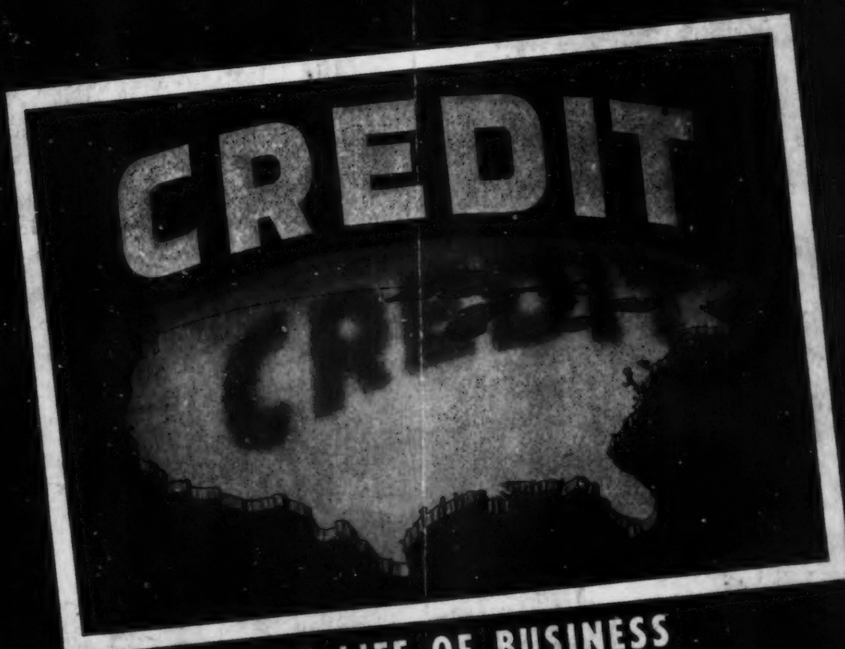
THE

CREDIT WORLD

OCTOBER 1947



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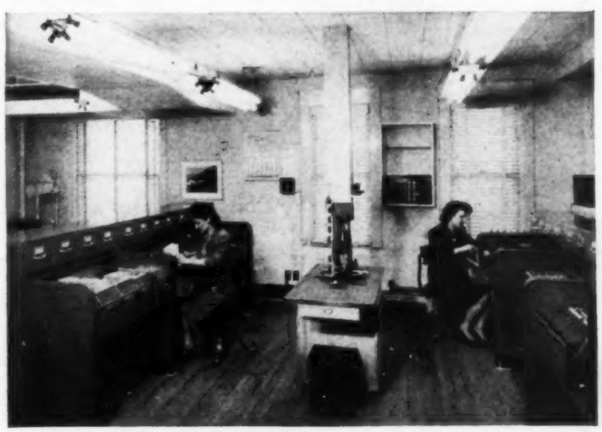

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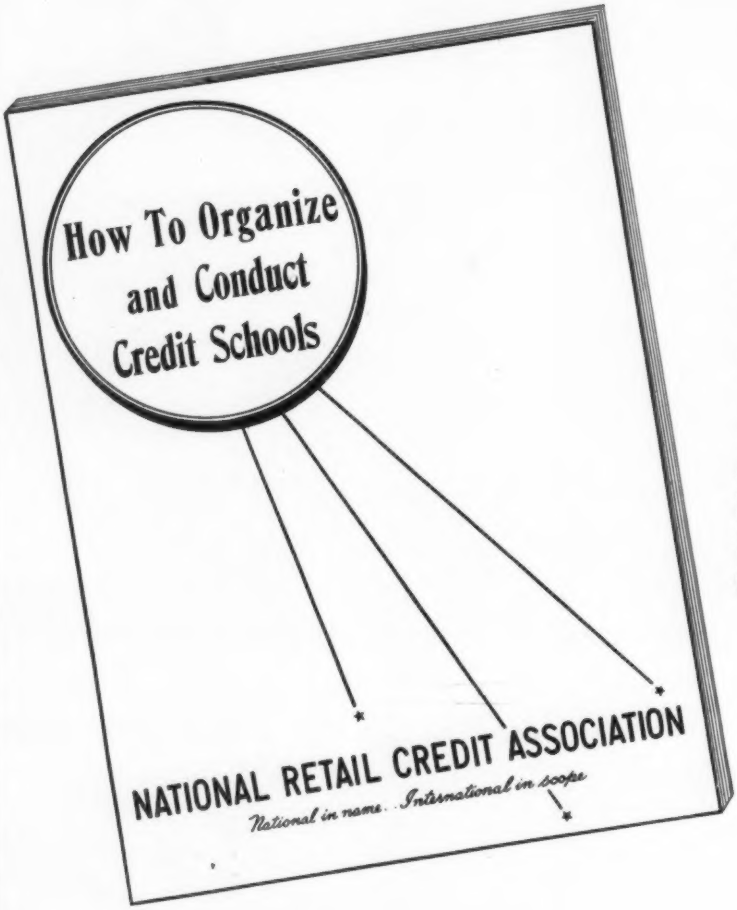

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The
CREDIT WORLD

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1946 Retail Credit Survey

CREDIT SALES in 1946 increased 38 per cent to a record high level of 22.5 billion dollars, according to estimates based on findings of the annual Retail Credit Survey. Dollarwise most of the increase in credit sales occurred in charge-account transactions, which increase about one-third from the unprecedentedly large volume of 1945. Instalment sales expanded almost twice as fast as charge-account sales, but remained considerably below the prewar level. Cash sales rose at a less rapid rate than either type of credit transaction. Nevertheless, sales for cash accounted for more than three-fourths of all retail sales during 1946 and were higher than at any other time on record. Total retail sales of nearly 97 billion dollars represented a rise of 26 per cent above the 1945 volume.

TABLE 1

RETAIL SALES BY TYPE OF TRANSACTION

Annual estimates for total retail trade

Year	Sales (In billions of dollars)				Percentage of total sales		
	Total	Cash	Charge account	Instalment	Cash	Charge account	Instalment
1939	42.0	27.2	9.9	4.9	65	23	12
1940	46.4	29.9	10.7	5.8	64	23	13
1941	55.5	36.3	12.4	6.8	66	22	12
1942	57.6	42.5	12.3	2.8	74	21	5
1943	63.7	48.9	12.4	2.4	77	19	4
1944	69.5	54.4	12.8	2.3	78	19	3
1945	76.6	60.3	14.0	2.3	79	18	3
1946	96.7	74.2	18.8	3.7	77	19	4

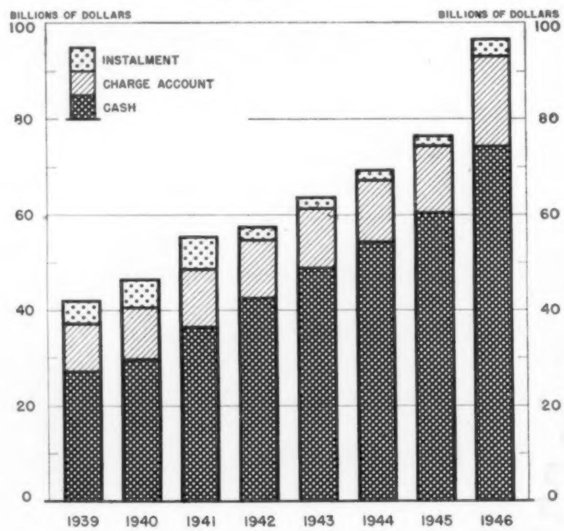
NOTE.—Estimates of total retail sales compiled by the Bureau of Foreign and Domestic Commerce, United States Department of Commerce. Sales by type of transaction are based on data from the Census of American Business for 1939, projected according to data from the Retail Credit Survey for subsequent years with appropriate allowances in cash sales to adjust for bias in the Survey sample.

Price increases, accelerated by the removal of most controls in the latter half of 1946, accounted for some of the dollar expansion in retail sales. If adequate adjustment were made for price changes, the gains in physical volume of sales for the year as a whole probably would not exceed 15 per cent. In physical as well as dollar volume, cash sales were undoubtedly higher than at any time in the past, but credit sales adjusted for price changes would probably fall below the figures for the early forties.

With continued high levels of income in 1946, consumers spent freely at retail establishments. During the early months of the year many individuals purchased more than a current supply of personal or household articles that had been difficult to obtain for several years. As the year progressed, consumers began to exercise more care in selecting merchandise, giving greater consideration to quality, price, and immediate need. Fewer luxury items were bought, and replacement or acquisition of durable goods became of increasing importance. During this year of record buying consumers continued to save from current income, but at a sharply reduced rate as compared with the war years, partly because current savings were offset to a greater extent by an increase in indebtedness arising from major purchases.

The gradual return to prewar use of credit at retail establishments, which began in the latter part of 1945, continued at an accelerated rate in 1946. Nevertheless, credit sales for the year as a whole were less than one-fourth of total sales as compared with more than one-third in the early forties. As is shown in the table and chart on the preceding page, charge-account sales of all

RETAIL SALES



retailers increased in dollar amount throughout most of the war period, but failed to keep pace with the rapid and continual advance in cash sales. As a consequence, charge-account sales represented a diminishing proportion of the total during those years, and in 1945 accounted for only 18 per cent of total sales as against 23 per cent in 1939 and 1940 and 19 per cent in 1946.

NOTE.—The 1946 Retail Credit Survey covers nine trades and is based on data from some 6,470 stores, all of which transact a part of their business on credit. Nearly 4,350 stores supplied data for selected balance sheet items. Totals include firms which submitted consolidated reports for multiple units which could not be classified by size, or in some cases, by Federal Reserve districts. Since stores operating on a strictly cash basis are not represented, the proportion of cash sales for individual trades is undoubtedly understated. Estimates of total retail sales presented in Table 1 make allowance for this bias in the reporting sample.

Coverage varies considerably among the several trades, ranging from around 63 per cent of total 1946 sales for department stores to around 5 per cent for household appliance and hardware stores.

Summaries of the data collected in previous Retail Credit Surveys conducted by the Federal Reserve System are published in the Federal Reserve BULLETINS for July 1943, July 1944, May 1945, and June 1946.

Copies of the 1946 Retail Credit Survey, which contains separate data for nine trades, may be obtained on request from the Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington 25, D. C.

Beginning late in 1941 instalment sales declined rapidly both in absolute amount and in relation to total sales. The slight recovery in instalment sales in the latter part of 1945 was not enough to change their relative importance, but the year 1946 brought sufficiently large increases in both open credit and instalment sales to raise credit business to 23 per cent of all retail sales, two percentage points more than a year earlier. This is the first time since 1940 that gains in credit transactions have outweighed increases in cash purchases.

The upward trend in credit sales and the increased availability of most commodities in 1946 were reflected in retailers' balance sheets. Customer accounts receivable, based on instalment purchases and a record volume of charge-account business, rose sharply during the year and were further stimulated after December 1 by the removal of credit controls from all but the major durable goods and by the elimination of restrictions on charge accounts. Inventories were built up rapidly, particularly at durable goods stores where commodities were in strong demand and stocks had been extremely low at the end of 1945. In order to finance their larger inventories and to carry their expanded receivables, retailers were forced to draw down their large cash and security holdings and to increase their bank and trade notes payable from the low levels of a year earlier. At the end of 1946 the ratio of current assets to current liabilities for most retailers was somewhat smaller than at the end of the preceding year, but a majority were still in a highly liquid position.

Expansion in retail sales during 1946 was larger percentagewise than in the preceding year for all of the nine trades covered in the Retail Credit Survey. Gains were greatest for automobile dealers and household appliance stores, amounting to 139 per cent and 134 per cent, respectively, and ranged downward to 23 per cent for jewelry stores and only 17 per cent at women's apparel stores. Prospective style changes combined with higher prices were a limiting factor in sales at women's apparel stores. With appropriate allowance for price increases, physical volume of sales at such outlets may have dropped below the 1945 level.

The marked contrast in rate of growth among the several trades is largely attributable to shifts in consumer expenditures from nondurable goods, which were relatively plentiful during the war years, to the purchase of durable goods as the latter became available in greater volume. According to Department of Commerce estimates, retail sales at durable goods stores increased about 65 per cent in 1946 compared with a gain of only 19 per cent for nondurable goods stores. Sales at durable goods stores constituted nearly 20 per cent of 1946 retail sales, in contrast to around 15 per cent during the preceding three-year period, but they were still well below the 28 per cent proportion for 1941.

The rise of 27 per cent in department store sales, the largest gain recorded at these outlets in the past five years, reflects sharply increased sales of major household appliances and home furnishings, as well as of men's and boys' clothing, which were in exceedingly short supply the preceding year. More ample inventories enabled men's clothing stores to expand sales 25 per cent above the 1945 volume, a higher rate of growth than in any year since before the war. Although sales of jewelry stores advanced less rapidly than those of most kinds of retail establishments reporting in the Survey, they were nearly one-fourth higher than in 1945 and more than twice the prewar volume. Percentage increases in retail sales from 1945 to 1946 for all retail trades covered in the Survey and a percentage distribution by type of payment are given in Table 2.

Increase in Credit Sales

In 1946 credit sales increased more rapidly than cash transactions for most of the trade groups, thus reversing the situation prevailing throughout the period 1942-45. Only at furniture stores and automobile dealers was the rate of growth in credit sales less than that of cash transactions. The tendency toward a relatively greater expansion in cash purchases is evident in those markets still characterized by limited selections, as in the case of better quality furniture, and where existing demand greatly exceeds available supplies, as in the case of automobiles. A sustained demand from cash buyers enabled automobile dealers to expand cash sales to nearly three times the 1945 volume while credit business increased 86 per cent.

Although the year 1946 marked a gradual return to more extensive use of retail credit, the proportion of credit sales for all nine trades remained substantially below that prevailing in prewar years. At department, men's clothing, women's apparel, and jewelry stores charge-account sales made up a larger proportion of all sales than in 1945; at other types of retail outlets charge-account business declined in relation to the total or remained virtually unchanged. More than three-fifths of the sales of automobile dealers were on a cash basis while instal-

TABLE 2

RETAIL SALES BY TYPE OF TRANSACTION AND BY KIND OF BUSINESS

Stores reporting in 1946 Retail Credit Survey

Kind of business	Number of stores reporting	Percentage change, 1945-46				Percentage of total sales, 1946		
		Total sales	Cash sales	Charge-account sales	Instalment sales	Cash	Charge accounts	Instalment
Department stores	1,534	+ 27	+ 19	+ 42	+ 49	62	32	6
Men's clothing stores	359	+ 25	+ 19	+ 35	+ 36	62	35	3
Women's apparel stores	359	+ 17	+ 9	+ 28	+ 11	50	47	3
Furniture stores	1,032	+ 49	+ 56	+ 60	+ 42	28	19	53
Household appliance stores	577	+134	+130	+117	+178	42	36	22
Jewelry stores	388	+ 23	+ 12	+ 32	+ 38	48	24	28
Hardware stores	557	+ 43	+ 39	+ 46	+ 69	56	42	2
Automobile dealers	764	+139	+191	+ 82	+100	62	27	11
Automobile tire and accessory stores	904	+ 47	+ 46	+ 43	+ 85	49	44	7

ment sales constituted only 11 per cent of the total—a somewhat lower percentage than in 1945. At household appliance and jewelry stores instalment sales increased in relation to the total, but at furniture stores, cash transactions continued to rise in relative importance and instalment sales accounted for only 53 per cent of the total, a decline of two percentage points from the preceding year.

Charge-account sales of all retail establishments in 1946 are estimated at nearly 19 billion dollars, or 34 per cent above those in the preceding year. Considerable expansion in sales of this type was characteristic of stores of all sizes in the nine kinds of business covered by the Survey.[1] The largest increases were reported by household appliance stores and automobile dealers as customers attempted to satisfy accumulated demand for their merchandise. A decline from 1945 to 1946 in the proportion of total business transacted on charge account was evidenced in both of these trade lines, and was particularly marked in the case of automobile dealers.

For all of the other trade lines covered by the Survey except automobile tire and accessory stores, as in the field of retail trade as a whole, charge-account sales constituted an increasing proportion of total sales in 1946. The growing importance of so-called 30-day or "convenience" credit was most pronounced at department and apparel stores, where this type of transaction always has been popular and sufficient merchandise has been available to maintain a large volume of sales throughout the war years. As prices increased and individuals and families settled down to peacetime living, some purchases at these stores which might have been for cash in 1945 were placed on charge accounts in 1946. Preferential treatment of charge customers by some stores in the distribution of small stocks of such hard-to-get items as hosiery, white shirts, and pressure cookers continued to encourage the opening of new accounts and use of inactive ones.

Charge accounts customarily make up a greater proportion of total business at large stores than at small ones. This was true again in 1946 for all except automobile dealers. Large outlets in the automobile trade were under little pressure to promote charge accounts and transacted nearly as large a proportion of their business for cash as did the smaller firms.

At the end of 1946 charge-account indebtedness had increased 54 per cent over the amount outstanding a year earlier. This compares with an increase of only 34 per cent in the annual volume of charge-account sales. Part of this difference in rate of growth may be attributed to a particularly large rise in charge accounts receivable in December after wartime restrictions imposed on such accounts by Regulation W had been removed. Although acceleration of collections on charge accounts, evident during the war years, continued in several lines throughout 1946, some lengthening of the average collection period was apparent at department, furniture, hardware, and men's clothing stores. Figures available for the early months of 1947 indicate some further slackening in rate of repayment at department and furniture stores.

Instalment sales expanded rapidly in 1946 as stocks of goods customarily sold on deferred payment plans gradually returned to the market. Viewed in terms of the very low level of instalment sales in 1944 and 1945, the 61 per cent rise in 1946 appears very moderate and undoubtedly would have been greater with more plentiful supplies of passenger cars and standard models of household appliances, the items accounting for the bulk of instalment sales before the war.

All trade lines increased their instalment sales but the largest percentage gains were at household appliance

[1]Reporting firms are classified as small, medium, and large, on the basis of 1946 annual sales volume. These classifications have different meanings for the various kinds of business. The size range for each is indicated below:

Kind of business	Small	Medium	Large
	(1946 annual sales. In thousands of dollars)		
Department stores	Under 1,000	1,000 to 10,000	10,000 and over
Men's clothing stores	Under 250	250 to 1,000	1,000 and over
Women's apparel stores	Under 250	250 to 1,000	1,000 and over
Furniture stores	Under 200	200 to 500	500 and over
Household appliance stores	Under 100	100 to 250	250 and over
Jewelry stores	Under 100	100 to 500	500 and over
Hardware stores	Under '100	100 to 500	500 and over
Automobile dealers	Under 250	250 to 500	500 and over
Automobile tire and accessory stores	Under 50	50 to 100	100 and over

TABLE 3

RETAIL ACCOUNTS RECEIVABLE

Stores reporting in 1946 Retail Credit Survey

Kind of business	Percentage change in accounts receivable during 1946		Average collection period for accounts receivable				Instalment paper sold as percentage of instalment sales	
			Charge account (In days)		Instalment (In months)			
	Charge account	Instalment	1946	1945	1946	1945	1946	1945
Department stores	+57	+ 63	48	47	8	9	1	1
Men's clothing stores	+54	+ 47	61	55	7	6	(1)	(1)
Women's apparel stores	+32	+ 26	56	57	6	6	2	2
Furniture stores	+59	+ 31	60	59	8	9	1	1
Household appliance stores	+79	+116	44	59	7	9	7	3
Jewelry stores	+25	+ 52	50	54	6	7	(2)	(2)
Hardware stores	+51	+ 51	55	54	7	8	5	3
Automobile dealers	+59	+ 64	36	41	10	9	39	39
Automobile tire and accessory stores	+25	+122	37	42	7	7	10	7

[1] Less than one-half of one per cent.
[2] No instalment paper sold.

stores, automobile dealers, automobile tire and accessory stores, and hardware stores, where customary stocks had been abnormally low over a period of several years. At furniture stores, which had experienced small gains in instalment sales in 1944 and 1945, the increase of 42 per cent reflected a persistent demand from individuals establishing new households. If home construction had been greater and choices of many items of furniture and home furnishings less restricted, instalment sales of furniture stores doubtless would have increased more sharply.

Gains in end-of-year instalment receivables roughly approximated the increase in instalment sales volume, but with considerable variation among the different trades. The rise in instalment accounts receivable held by automobile dealers was considerably less than the growth in sales largely because a substantial part of the paper arising from the instalment sales was sold. Household appliance, hardware, and furniture stores also experienced a greater expansion in instalment sales than in accounts receivable. With down payment requirements for major durable goods under Regulation W virtually unchanged and individual incomes continuing at a high level, the amount of credit extending in connection with instalment sales was held down and liquidation of accounts continued to be prompt. Increased instalment buying around the year-end at department, jewelry, apparel, and automobile tire and accessory stores resulted in a relatively greater rise in accounts receivable than in annual sales volume. Instalment collections at these outlets were well sustained, however, and the average period for repayment remained about the same as in 1945 except at department and jewelry stores, where it was reduced slightly to eight and six months, respectively.

Contrary to the experience of most kinds of retail establishments, the average repayment period for instalment accounts of automobile dealers was somewhat longer in 1946 than in the preceding year. With the sharp rise in prices plus the tendency to equip new cars with a wide variety of accessories, the average size of instalment contract increased appreciably during 1946. As a consequence, the repayment period averaged around ten months in 1946 as compared with nine months in 1945.

Table 4

Selected Balance Sheet Items

Weighted total for stores reporting in Retail Credit Survey[1]

Item	Percentage change during 1946		Percentage of total current assets at end of year			
	Corporations	Other	Corporations		Other	
			1946	1945	1946	1945
Current assets:						
Cash and bank deposits	−17	− 12	18	25	25	34
United States Government securities	−40	− 5	11	21	12	15
Accounts receivable	+50	+ 37	23	18	16	14
Inventories	+67	+ 59	43	31	39	30
Other current assets	+10	+ 39	5	5	8	7
Total	+17	+ 20	100	100	100	100
Current liabilities:						
Notes payable to banks	+88	+140	4	3	3	2
Trade payables	+27	+ 59	11	10	12	9
Other current liabilities	+ 9	+ 28	21	22	10	9
Total	+20	+ 50	36	35	25	20
Net working capital	+16	+ 13	64	65	75	80
Current ratio[2]	-----	-----	2.8	2.8	4.0	5.0

[1]Reported figures for individual retail trades were weighted in accordance with the relative importance of the total business in each year.

[2]Ratio of current assets to current liabilities.

Comparatively few retailers maintained throughout 1946 the high liquidity which prevailed at the beginning of the year. The large holdings of cash and securities built up during the war years were drawn down in 1946 in order to replenish inventories, to finance an increasing volume of consumer credit purchases, and to expand and improve existing facilities. Additions were made to bank indebtedness, which had been sharply curtailed during the war years, and amounts owed to trade creditors were substantially higher. Total current liabilities increased more rapidly than current assets, but the current ratio for most firms, particularly corporations, showed little change and net working capital continued to increase.

Cash and security holdings of retailers, which at the end of 1945 accounted for almost one-half of total current assets of both incorporated and unincorporated businesses, were a considerably smaller part of the total a year later. The percentage decrease in both bank deposits and securities, as shown in the accompanying table, was much greater for corporations than for noncorporate retailers. At least three factors probably contributed to this trend. Large corporations, with the possible exception of national chains, tend to sell a larger proportion of their merchandise on credit than do individually owned stores. Some of the corporate cash holdings have been used to handle the expanding volume of credit business during the past year. In the early months of 1946 corporations may have been willing to tie up more funds to obtain scarce merchandise in a highly competitive market. In addition, many firms put into immediate effect their plans for postwar expansion either through acquisition of additional outlets or through improvement of existing properties. Either step undoubtedly involved withdrawals of cash or reduction of security holdings. At the end of 1946, however, corporations still had 29 per cent of their total current assets in liquid form as compared with 37 per cent for unincorporated businesses.

All retailers were able to build up their inventories considerably in 1946 as durable goods and other recently scarce products again became available. Inventories were around two-thirds larger at the end of 1946 than a year earlier and accounted for 43 per cent of total current assets in the case of corporations and 39 per cent in the case of nonincorporated businesses. At the end of 1945 about 30 per cent of total current assets was invested in inventory.

Unincorporated retailers increased their current indebtedness more rapidly in 1946 than incorporated concerns, and at the end of the year their current liabilities amounted to one-fourth of current assets as compared with one-fifth on December 31 of the preceding year. The relationship between current assets and current liabilities of corporations was virtually unchanged during the year and the current ratio remained at 2.8. Bank indebtedness increased sharply for firms of both types of organization but continued to be a relatively unimportant part of the current balance sheet.

Retailers in a majority of the trades represented in the Survey sold about the same proportion of their instalment paper in 1946 as they did in 1945. Household appliance, hardware, and automobile tire and accessory stores increased the proportion sold, but none of these trade groups sold more than 10 per cent of the instalment contracts they originated. Small establishments among household appliance stores disposed of a larger part of their contracts than did medium-size and large firms or chain outlets. Among automobile tire and accessory stores, chain outlets accounted for most of the paper sold. Automobile dealers customarily dispose of the bulk of their instalment paper but in both 1945 and 1946 those reporting in this Survey transferred only 39 per cent to financial institutions. As in other recent years, department, furniture, and apparel stores carried all but a small fraction of their instalment credits on their own books, while jewelry stores sold none of their instalment contracts.

Building Up Inventories in 1946

Retailers experienced less difficulty in building up inventories in 1946 than at any time since the early months of the war. At the beginning of the year the quota system was widely used for allocating commodities in short supply; selection was limited in many lines; and deliveries were often delayed even on merchandise of a seasonal character. As more articles became readily available, merchants began to examine their inventory position with a view to restoring some balance in the stock on hand, reducing the supply of plentiful items having slow turnover, and determining the necessary price markdown on top-heavy accumulations of inferior or little known lines. The early months of 1947 saw a gradual return to the prewar practice of ordering on short-term commitment and limiting orders placed in advance of the season to permit fill-ins at a later date.

Stock on hand at the end of 1946 for all nine trade lines included in the Survey was considerably larger than a year earlier. Large percentage increases in inventories of some kinds of business are not highly significant since stocks of commodities ordinarily accounting for the bulk of their sales volume were abnormally low at the end of 1945. Inventories were nearly doubled at household appliance stores as major appliances became available in increasing quantities to supplement the small appliances which appeared first on the market. Automobile dealers, in spite of a record inventory turnover, were able to build up their stocks 87 per cent. At men's clothing stores, where nearly all kinds of apparel were in extremely short supply at the end of 1945, stocks rose 90 per cent. Hardware and jewelry stores reported the smallest gains in inventory over the year, 41 per cent and 34 per cent, respectively.

Expansion in inventories more than kept pace with the rise in sales volume in 1946 and the high rate of inventory turnover was reduced somewhat for most kinds of business surveyed. Only two reported a more rapid rate of turnover in 1946 than a year earlier, automobile dealers and household appliance stores, which sold some of their merchandise before delivery. Department stores and men's clothing and women's apparel stores showed the sharpest reductions in inventory turnover in 1946, but the rate continued at around five times a year, a comparatively rapid turnover for these kinds of business. As has been customary in the past, the rate of turnover was less rapid for small stores than for the large outlets. Rates of turnover by kind of business and by size of store are shown in Table 5.

TABLE 5

INVENTORIES BY KIND OF BUSINESS AND BY SIZE OF STORE

Stores reporting in 1946 Retail Credit Survey

Kind of business	Percentage change during 1946	Inventory turnover in 1946 by size of store[1]				
		Total	Small	Medium	Large	Not classified by size
Department stores	+68	4.8	4.1	5.2	5.1	4.0
Men's clothing stores	+90	5.0	3.8	4.1	5.9	5.3
Women's apparel stores	+55	4.6	4.4	5.0	4.4	4.9
Furniture stores	+72	3.0	2.9	3.3	2.9	2.9
Household appliance stores	+97	4.4	3.9	4.8	4.8	4.2
Jewelry stores	+34	1.9	1.7	1.9	1.8	2.0
Hardware stores	+41	3.8	3.2	3.8	4.3	3.8
Automobile dealers	+87	8.8	6.8	8.0	9.4	8.8
Automobile tire and accessory stores	+61	4.9	4.2	4.4	6.2	3.7

[1]For basis of size classification, see footnote 1, page 6.

NOTE.—Figures in this table are based on inventories at retail prices.

Consumers' buying practices in the early months of 1947 and fairly general optimism concerning job security and the maintenance of purchasing power, even in the face of rising prices, seem to indicate that 1947 may be another year of record retail sales. Fewer luxury goods may be bought but heavy demand for semidurable and major durable goods probably will continue throughout the year. Even if cash and charge-account sales level off, it appears almost certain that instalment sales will show a further substantial rise. The expansion in instalment sales in all probability will be accompanied by a more than proportionate rise in accounts receivable. A slackening in the rate of collection, already in evidence, is likely to continue as total indebtedness mounts but need not present a serious problem to retailers in 1947 provided credit terms are not unduly eased. In view of the highly liquid position at the beginning of the year and general awareness of the need to adjust inventory position to cushion any abrupt shifts in demand or prices, retailers should go through the year 1947 in relatively strong financial position. ★★★

The Long, Long Road

Mrs. Gertrude Geary Huitt, *Attorney*, East St. Louis, Ill.

(An address given at the Annual Breakfast, Credit Women's Breakfast Clubs of North America, St. Louis, Mo., June 17, 1947.)

WOMEN OF THE Credit Women's Breakfast Clubs of North America have come far on the long, long road of achievement since the club's organization ten years ago. Its alliance with the National Retail Credit Association and its international affiliations should bring members great satisfaction in their vast program enlargement—in the onward march to aid not only their own organization and membership, but to benefit all mankind.

The people of all countries, including our own, await the assistance women can give through their ability and insight. The task is Herculean.

Not too long ago, women in business were oddities. In credit departments, few women were entrusted with important positions. At the first meeting of the Credit Women's Breakfast Club in St. Louis, fewer than five women in St. Louis occupied executive positions in any credit bureau. Yes, women have come far on the long, long road. It has been difficult for those who have pioneered the field of credit, but they have started courageously and have made the rest of the journey a little easier for their successors.

Public opinion toward women in business makes an interesting record. At one time, women who dared to enter new fields, to venture into untraveled pathways, were laughingly called "hyenas in petticoats." (Now we have at least outgrown the petticoats—as for being hyenas, fortunately we can still laugh, at and with our critics.) Not only the opposite sex, but also some of our own clinging vines discussed over their teacups the *brazen* women who *presumed* to go into the business world. One or two of the professions were considered dignified—all others were termed disgraceful. Why, it was almost immoral for any woman to work in a *man's* office.

But persistent women dared to overcome such ridicule and false opinions by accepting and succeeding in difficult positions. We recall many conversations which teemed with sarcasm and ridicule. No man, they said, would hire *any* woman for her *brains*. No, indeed, it surely must have been *physical* attraction that got the gal a job. And a beauty *with* brains could not exist. Not in one little feminine body. Women were Dumb Doras, all of them. If they were pretty, they were more dumb. Good looks and intelligence were contradictory.

We women were called jealous, insincere felines, selfish, self-centered, with never a thought for another woman's success. How far on that long, long road groups like the Credit Women's Breakfast Clubs have traveled in disproving such statements! Such organizations, eager to help *all* women, to afford greater opportunities to them, to support their cause in every way, have triumphed over the old theories of female incompetence and instability.

Women were said to be lacking in judgment, never able to meet emergencies. We could race through an 18-inch bargain aisle and escape with never a scratch; when we drove our automobile home through 9-foot garage doors we demolished the garage and the automobile completely.

One of the oldest criticisms of women has been exploded with violence—that age-old opinion that women can *never* keep a secret. Anecdotes and cartoons represent our sex with tongues wagging at both ends, with jaws working so fast that dentists cannot extract our teeth. Surely, the increased number of women employed in credit proves definitely that women can *make* and *keep* confidential reports. Yes, women have come far on the long, long road in successful business.

You know why women are progressing, why they are emerging from a dark abyss and gradually assuming a rightful position in the business and economic world of today. It is only because of their conscientious, careful application to their jobs; because of their determination to be competent workmen, asking no favors because of their sex, but willing to advance by merit alone. Many times, of course (not always), a woman must still be five times as competent as a man to hold the same position. All prejudice against women in business has not yet been removed. There is still a long, long road ahead.

Marjorie Nicholson, Columbia University, says, "The reason more women do not achieve the success which men achieve is that they have no wives at home, and until science or economics corrects this blunder of nature, women shall remain the inferior sex."

We Must Continue to Go Forward

Perhaps so. But we have come a long way, and we must continue to go forward. Days to come will remove the barriers against women if efficient women resolve unselfishly to live up to the Credit Women's Breakfast Clubs' excellent creed; to maintain faith, vision and courage. Before too long, folks will be so accustomed to seeing and dealing with women in business that they will cease to think of us as monstrosities.

Perhaps there is no kind of work which requires more sympathetic understanding than that in credit. During the war, a young soldier, on leave, was anxious to have a few precious moments alone with his sweetheart. They made plans. They went to the local railroad station in their little town, and as each train came in, pretending that he was about to depart, he kissed her over and over again. They staged a repeat performance as each train pulled into the station, then retired into the waiting room to await the next train. An old porter, sensing the situation, said to the lad, "Son, these trains only come in every half hour. Why don't you go to the bus station? They leave every five minutes." Yes, understanding and sympathy are necessary to make life beautiful.

Of course, in credit work, women meet many people whom they will never be able to understand. The task of credit women is to know people. Their success depends upon their psychology, their treatment of those who enter their office, their courtesy, their ability to separate truth from falsehood. Theirs is a difficult task, but one filled with human interest. Woman's human interest assignments are multiplying rapidly. The old slogan, "Woman's work is never done," was never more true than today. There is no time for arm-chair enthusiasts; this is the time for workers. The chaos of today is challenging women to come forward to take their rightful place in matters affecting the entire world.

Watch the women at the United Nations sessions and see their contributions; talk to business and professional women, and realize their importance in thought and action; speak to women in the home and remember their influence. Women's work will never be done until we join forces with men, perhaps taking the initiative, to make this world a peaceful place, a better world than it is now. We must help to make it better economically, socially, and politically.

Women, especially women with business insight, must know matters of state, be informed on legislation, policies at home and abroad. We must be intelligent about these matters. Education for statesmanship among women is vitally necessary on this long, long road ahead, if women will continue to march forward in business and in the economic world. Until we have such definite courses of education, we will, as Aunt Chloe says, remember that if we have no education, we can just use our brains. Women have brains; they should not be allowed to rust from disuse. Women must be seen and *heard* in places where their opinions and wishes will be heeded. Groups like the Credit Women's Breakfast Clubs can be dynamos in world affairs today. Women should interest themselves in the whole world and its peoples.

Inferiority Complex in Women

Women are often wont to escape public participation because of an inferiority complex; their belief that their own contribution is worthless, that they have no talent which would be beneficial. Each of us has a talent. We must use it for the benefit of mankind. Women should not minimize their ability or the influence which they may have in the world conditions of today. Each of us must contribute her mite to help this chaotic world on the long, long road to peace and good brotherhood. If we like our neighbors on the street, we will get along with them, since, as the Credit Women's Breakfast Clubs' creed wisely states, we are willing to give as well as take. If we like our neighbors of the world, we will get along with them, if we are willing to give as well as take. Failure to understand people and nations will prevent world progress. Women determined that we shall live in peace will aid world betterment.

Transports are being sent to Europe by our Department of State this summer to take Americans on *purposeful* travel at a very small cost. Thousands of such ambassadors of good will, from various groups, will return after six weeks with messages of first-hand information about our overseas neighbors—what kind of people they are, how they live, what they need, their customs, ideals—with better thoughts for all of us as to how we can get along with these other peoples. Perhaps the Credit Women's Breakfast Clubs will be represented on these tours; if not, perhaps members, in many clubs, will hear the reports of those who make the tours after they return. These trips will surely offer to us men and women in America information which will enable us to get along with the world neighbors.

The road for advancement of women may be long and wearisome, but along that way, women, as always, will exert their influence for good or for bad. The Marys and the Jezebels are always with us. The trouble with the world today is with the people. If we want a good world, we must have good people in it. If we have good people, they must have good ideals and be good patterns for others. Woman, innately religious, needs to prove to atheists and Communists lurking along our highway that we in America are not crackpots and radicals; that we are a God-fearing nation, based upon the religious principles of our founding forefathers, believing sincerely in democracy and its ideals. Men and women need to join hands to enforce the ideals in which we believe. We must show the world that our democracy does work.

Credit executives constitute a privileged class. You enjoy many bounties denied to others in this and other nations. Your leadership is needed in the march forward on the long, long road in business and economics, and world betterment. You enjoy a well-earned success—your vibrant messages will be welcomed by, and helpful to, people with fewer opportunities. Never miss a chance to spread world fellowship when you can. When you are working for your own personal improvement and betterment, do not forget the larger group which needs your helpful guidance.

As woman progresses along this road to greater achievement, she must be ready, willing and anxious to serve others. The long, long road is now illuminated with brilliant lights of opportunity. Now is when the world most needs the services of good women, who will work side by side with men to make this world a haven of peace, where all mankind may live harmoniously, respectful of the lives of all honest peoples.

We want to work to the fullest of our ability, so that when we depart from this existence, we may have many monuments to our credit in world affairs as well as in our personal lives. We all want to leave this world a better place because we have spent a few short years living and working here in service for the benefit and good of all people. The long, long road is difficult, but together, in groups, the road can be traveled safely. Women must climb this road slowly, rising to higher places in business and professions.

Women must be equipped to shoulder the burdens of this trip, to share the responsibilities, to carry along the necessary materials and supplies for the journey. Women must prove to the world that their presence in business and in society along this road has been and will continue to be worth while. We must show mankind that we were helpful to those along the highway; that we have been unselfish, purposeful, valiant, and sacrificing.

We need companions on this road to business success. The best ones to take with us are those established in the Credit Women's Breakfast Club creed—Faith, Vision, and Courage. *They will help to overcome all obstacles on the long, long road to achievement.* ★★★

Building Tomorrow's Credit Standards

Lars Carlson
Sales Manager, **Washington Brick & Lime Co., Spokane, Wash.**

(An address before the 26th Annual Retail Credit Conference of the Pacific Northwest, Hotel Vancouver, B. C., May 26, 1947.)

THE MOST IMPORTANT promises that we make are those stated or implied in our credit transactions. Whether they are written promises "to pay a sum certain in money," or the implied promises to pay for property sold to us, the obligations to pay are just as binding. Only to the extent that we discharge those obligations promptly and in full do we measure up to the confidence placed in us by credit transactions.

The problem of credit is a bilateral one. Credit operates over a two-way street. First, credit involves a knowledge and expert judgment of the debtor on the part of the creditor; and second, credit entails an acceptance of obligation and responsibility (not to overlook knowledge and competence in his own business) on the part of the debtor. As business operates, the use of credit means an exchange, a transaction of mutual confidence and trust, reinforced to the greatest possible extent by information about the debtor.

Credit itself is as old as trade and industry. We find references to it in the earliest historical writings and throughout literature. In the Bible, for instance, we find regulations for lending in various books of the Old Testament, and in Deuteronomy there is this about a release every seven years: "Every creditor that lendeth aught unto you his neighbor shall release it . . . but of a foreigner thou mayest exact it again."

Ancient and classical writers have much to say about credit, and one of the earliest (Junius) said, "Private credit is wealth;" and still another (Pubilius Syrus) wrote that "He who loses credit can lose nothing more." There are frequent references to credit in the writings of Shakespeare and many others, but it remained for Benjamin Franklin to tell us in a lighter vein, "Creditors are a superstitious set, great observers of set times and days."

There is an old adage among credit executives that they look for the cloud and not the silver lining. In my own case, I am a confirmed optimist and an economic enthusiast who has "gone West" completely, so it is not for me to give a discourse on credit. However, we should remember that credit is trust, given or received. Credit is based on confidence, and credit itself is the most important ingredient in our economic medicine; confidence is to the business machine what the life spark is to the human being.

Credit is the most important factor in the conduct of business. By the very nature of its importance, by reason of the knowledge, "know-how," and judgment it requires, credit management in business is on a par with the other major departments—production, purchasing, finance, personnel, and sales—and the credit manager is the equal of the heads of these other departments. More than that, credit management is a profession and a trust. Rightly practiced, it makes sure of what someone has said, "Goods are not sold until they are in use—and paid for!"

It was the senior J. P. Morgan who once stated that of the two factors for granting credit—ability to pay and willingness to pay—he considered *willingness* to pay (that is, the integrity, of the borrower) far more important than mere ability to pay. So much is credit a moral obligation based on confidence.

Historically, our economic development, and, more particularly, our industrial development, may be traced in terms of power and metals, and, from those two factors, in terms of transportation also. The professional economist thinks and talks in terms of economic "utility"—form, time, and place utility—and none of these could have been developed to its present stage except for the discovery and application of power. Actually, it was steam power which gave the first great impetus to our industrial development. We soon had electric and internal combustion power, in addition, so that in the last 75 years our mechanical power has been multiplied over 20 times.

The mere discovery of power would not have sufficed for our industrial development but for the discovery and utilization of metals which made possible the application of power to machines. The softer base metals had been in use for ages, but power engines, manufacturing machines, and transportation equipment required iron and steel in staggering quantities. In our own day, the alloy metals became necessary also, and today we have a long list, and an exacting metallurgy, of the alloy metals. One of the most essential is nickel, for instance, of which approximately 95 per cent of the world's supply comes from Canada. So important is nickel that the Great War could not have been won without it. In war and in peace, nickel makes possible our high-speed machinery and transportation.

Transition to Light Metals

Now the light metals are on the industrial scene, and the changes and improvements which they will bring may scarcely be visualized as yet. The transition to the light metals will approximate an economic revolution in itself. Last but not least, we must not overlook the mineral fuels which are needed for motivating and propelling the major part of our machines.

But, what have power and machines got to do with credit? Just this. The powering and mechanizing of our production and transportation gave us enormous increases in output. According to the Twentieth Century Fund, our physical output has increased some 27 times since 1850, notwithstanding a labor force which was only nine times greater and worked only 43 hours per week instead of 70 hours per week.

Together with these increases, the need for credit expanded and multiplied still more rapidly. The new increases of output and the new highs in every phase of economic activity required and brought into use new large sources of credit. Credit became the motivating force of the new industrial order.

Business today is a complex, highly organized machine, which must run in rather delicate balance, just as its mechanical counterparts. At present, we are just emerging from a gigantic war, in which we learned our combined economic strength in Canada and the United States. Now, it is up to us in business to keep that machine going in high gear and in balance. Doing that will be a test of our peacetime wit and judgment. This will become manifest from our organization of the job, and nothing will be more important in that organization than credit, the lifeblood of business itself. Henry H. Heimann states it well when he says, "Credit is perhaps the most potent energizing factor in our commerce."

Of course, there are many functions of credit, and a mere list of them would be a considerable statement. I shall name some of these functions which are important to all businessmen.

A significant and certainly a far-reaching function of credit in modern business is to serve as the basis for borrowed capital. This is notably true in the field of corporate finance, but is also significant in partnership and individual finance for business. It is probably safe to say that approximately one-half of all the fixed capital in business is represented by borrowed capital in the form of bonds and notes.

Perhaps the most important function of credit, at least for the time being, is that of financing production, although this function is rather closely related to the borrowed capital function. Production with productivity is the overwhelming need in the world today, from its farms and forests, its mines and factories. Output—not at any cost, but more, better and cheaper goods—is the first order of the day.

Recently, *Business Week* stated that credit was one of the principal tools that government, business, and consumers were using to pull prices higher. In the opinion of many people at present, however, prices are already too high. Witness the movements to get prices reduced on a voluntary basis. But the only practicable relief from the pressure on prices must come from increased, low-cost production; hence, the importance of credit which finances such production.

Contribution of Our Government

One of our most eminent economists, Sumner H. Slichter, said recently, "The principal contribution which government can make (for 1947) is to discourage the expansion of credit except where this expansion makes possible a proportionate rise in production. The large purchases of durable consumer goods and housing which are in prospect create the danger that credit will expand faster than output." Fortunately, we are now on our way into a buyer's market, but in my opinion we are still in urgent need of more *production*, better and low-cost production.

Credit for financing distribution is an essential function of credit. At this very moment, when some industrial plants are reducing production or curtailing operations altogether for lack of orders, it is desirable to stimulate sales and distribution in their lines particularly, and in business generally.

As a case in point, the frozen-food industry is plagued with large plant inventories, a carry-over from last season's pack. The facilities for distributing frozen food are still limited, and there is an opportunity, indeed a need, for credit to finance the effective distribution of frozen food. The industry is one which will grow by leaps and bounds once it is properly organized and financed, but as leaders of the industry are pointing out themselves, the *quality* must be tops in all frozen-food packs before any financing and distribution are attempted. The financing of consumers is another of the basic functions of credit. Properly employed in this function, credit can be one of the most effective means of keeping the business machine running in high and in balance. Shakespeare knew about consumer credit, for in "Henry the IV," Prince Henry said to Falstaff, "So far as my coin would stretch; and where it would not, I have used my credit." Our peak of consumer credit was reached in 1941—some ten billions that year, or roughly one-sixth of consumer income—while now we have a considerably greater consumer income, and consumer credit which some people say could be extended to 25 billions. Today, however, it is a matter of timing our consumer credit, and I maintain that there is a greater need to finance and expand production more rapidly than we expand our credit to consumers.

Adequate Consumption of Production

Arthur A. Hood has put it this way, "Adequate consumption of maximum production is our problem." The day will arrive when our production will be adequate. Before that time, we must step up our selling, and our financing of sales and consumption, in order that production may continue without interruption. We have the largest reserves of savings and reservoirs of unused consumer credit that we have ever had. If we use these stupendous credit resources wisely, we can attain that promised land of our economic destiny.

There are other functions of credit, one of which I would like to stress. It may be that this should be referred to as a negative function, albeit an important one, for, in a sense, it is a by-product of two of the other functions. This additional function of credit is to prevent inflation in Canada and the United States. The spectre of inflation can become very real indeed, and all we need to bring it into reality is deficient production on the one hand, and too great an expansion of money and credit on the other hand. It is the *spread* between these which produces inflation, the greatest scourge which can come to any economy. It is up to us to facilitate production and to limit and use consumer credit judiciously.

The wonderful thing about the Pacific Northwest is that we can "eat our cake and have it, too." The war demonstrated our regional productive capacity, and already the peace is beginning to demonstrate our distributing and consuming capacity, but we have not seen anything yet. There is no good reason why we must be tied to a modest standard of living, here or elsewhere, for now we have the capacity and the "know-how" to increase the economic cake, and who does not want more of that cake? We all do, but how?

Just before the war began, the West consumed about five times the volume of manufactured goods which we

alone produced; that much were we dependent upon sections to the east of us in Canada and the United States. Even in the field of building materials, California produces only 15 per cent of the construction materials which are required in that great state. However, there is no single answer to our new industrial opportunity; rather, there are many answers, and I want to suggest some of them because the West is on its way and moving fast. But, first, another word about our general economic opportunity.

Not for a minute do I minimize the importance of selling and advertising, as well as producing more, in the new era; or the importance of the proper use of credit in their conjunction. In this new competitive era which we are just beginning to glimpse, there will be many new sales angles to explore and use. The catalog of things to come is getting bigger and better every day.

Higher Rate of Selling in the Future

Perhaps the most eloquent testimony of the need for a *higher* rate of selling in the future will be found in the observations of Walter D. Fuller, president of the Curtis Publishing Company, who said, "The figures tend to prove that national income (our gross business, essentially) increases or decreases two and one-half times in proportion as we increase or decrease our selling expenses." That statement is worth repeating to ourselves and framing in our memory. In other words, in times of declining volume, if we reduce our selling and advertising expenses, our gross volume will decline two and one-half times faster. Yes, there is no substitute for selling in free, competitive enterprise, and that goes for our countries as well as for our individual firms!

The wartime achievement in production and consumption proved once for all that we can achieve and maintain a higher standard of living. The key, the solution, lies in a continuing high rate of employment for our people. Whether it is the miner in British Columbia, the farm worker in southern Idaho, or the coolie in China, each one of them will buy to the limit if only we will first buy from him. Buy what? The product of his labor, of course. We can have that high employment through a mutual show of confidence and a full, judicious use of credit.

Just before the war, our American output aggregated 100 billions in round figures. Today, we are producing at more than twice that monetary figure, and after allowing for price changes, the rate of increase physically is exceeding 50 per cent. The same thing has taken place in Canada, and still we have not begun to fill the need for automobiles and freight cars, electric motors and gadgets, office space and houses. A vast market is clamoring for these things, and many more and better things!

The recently-issued report of the Twentieth Century Fund on our prospects contains many interesting facts and estimates. Here are some worthy of particular note by us: "The key to our future economic welfare is productivity. . . . The number of families will continue to increase more rapidly than the number of people as families grow smaller—significant for many things, like housing, for instance. . . . Our population will be getting older and more urbanized. . . . The general westward migration which was accelerated by the war will continue. . . . Our people will keep on getting more homogeneous, and more universally educated. . . . The average person will eat better, dress better, and live in a better house with better equipment. And he will have more money to spend, for travel, recreation and luxuries."

I come now to the economic balance sheet of our Pacific Northwest, the opportunity and challenge of which I would analyze in broad strokes. We have in our region an economic balance sheet so compelling and so charged with opportunity that we cannot miss the tide of affairs which comes to us with the economic current which now serves.

First, as to assets. These are numerous, and I shall name only some of the more important ones. The population of our region has already increased some 25 per cent, since 1940—due in large part to our wartime gains—but we are moving rapidly toward still greater gains; in my studied opinion, to a doubling of our 1940 population by 1965! Some people may deplore this, but it is growth and expansion that keep a people and a region young, vigorous, and progressive.

In physical natural resources we are likewise rich. In diversity, quantity, and quality of the basic natural resources from the mine and farm, the forest and sea, the Pacific Northwest is the greatest raw materials' source area of any region of similar size in the world. Consider only a few of these resources: Douglas fir; Pacific salmon; apples, peas and wheat; lead, zinc, copper, boron, and coal. The biggest physical resource of all is *water,* and when we come to the full product of the Fraser, the Columbia and the other rivers of the West, not only from reclamation and power but also from industrial processing, we will agree with Robert Ormond Case that "water is the priceless natural resource of the West."

From a marketing standpoint, we rank among the top and quality markets of your country and mine. Ours is also a diversified market, growing rapidly, and *Business Week* said of us recently, "The Far West is properly labeled as the first and richest of the new markets."

Besides our assets of population, physical resources, and markets, it is in our attractive, scenic environment that we find one of our truly magnificent assets. Made up as it is by our moderate climate; our matchless scenic grandeur from mountain, forest, lake, and ocean; and ample space in which to live, work and play, the Pacific Northwest is nature's evergreen wonderland.

Great and Genuine Opportunities

In our regional balance sheet there are no insurmountable liabilities; instead, there are great and genuine opportunities! Again, these are numerous, but I shall discuss briefly only four.

First, in construction. In Canada, as in the United States, the market for construction of all types is enormous, exceeding as it does 20 billions per year for an indefinite period; and, what is vastly important, providing *one-sixth* of all jobs in its on-and-off-the-site activity. Already, the West has a great share of the current building program—one-fifth of all industrial construction in our countries, one-fourth of all house construction. It is significant, also, that the rate of industrial building in the West is three times as great as elsewhere.

Altogether, we can scarcely comprehend the total import of the construction market. Not only for houses and

factories, but also for stores, offices, hotels, and commercial buildings of every description, there is a Western market running into the billions. Besides these, the demand and need for public works and improvements will aggregate one-third of our construction dollar. Right now, public construction is largely restricted to improvements necessary for our minimum health, safety, and essential education. When this field opens up also, we shall see a veritable deluge of construction for hospitals, schools, sanitation facilities, highways and bridges, and institutions of many kinds.

The accelerated growth of the West will pace our construction for many years, and when we think in terms of one million and more houses per year for many years—some people think that is too many houses for us, but the United States and Canada need 600,000 new dwelling units per year just to take care of the additional families each year—we must then realize that the momentary curtailment of the housing program will burst its banks, and soon!

In addition to all this, the forthcoming activity in streamlining and modernizing our existing buildings—plants, stores, offices, houses, etc.—will keep extensive construction facilities employed indefinitely, all as part and parcel of our advancing standard of living, doing, and building. The "face lifting" of Main Street is desirable and is beginning everywhere. Best of all, it pays dividends in increased sales and collections for Main Street, not to mention the community improvement and construction activity which ensue.

Additional processing of our food and increased supplies of raw food are not only an opportunity for our Western development, they are a *must* for our industrial growth as well, because we need to reduce our relatively high cost of living and food in the West. Also, with the human stomach having a capacity of 40 fluid ounces, it makes a whale of a difference to our industry and agriculture whether we feed plain cereals or meat and dairy products to the "inner man."

Principal Crops in the West

Our principal agricultural crops in the West are hay, wheat, grapes, apples, and potatoes. Altogether, they account for one-third of our agricultural output. With processing, items like dehydrated hay, frozen applesauce, pectin, potato flour, and a new potato culture bread (using 20 pounds of potatoes for four pounds of potato culture with every 100 pounds of regular flour) are some of the products which will give us additional markets and jobs. Our butter production lags far behind our pre-war level, and the same is true of fish meal and fish oil. Actually, too, our harvested acres per capita in the West are only about 40 per cent of the national average. We need many more acres in hay and other crops, more butter and other products from our plants right here in the West.

To do more business profitably, and to help locate "lost customers," always take a complete credit application from all new accounts and check these through your Credit Bureau.

Our third great opportunity is in further processing and fabrication of our other raw materials, notably our wood and wood wastes, the various metals, and the fertilizer minerals. Already a large list of manufactures using aluminum sheet is developing here—trucks and trailer bodies, roofing and siding, drain pipe and gutters, garage doors, toys, and many others. The light metals have exceptional opportunity in the West for manufacture into transportation, mining, and agricultural equipment. For wood, steel, and other materials, there are similar opportunities in furniture, builders' hardware, camping equipment, sprinkler irrigation equipment, and accessories and gadgets for the house and yard, shop, orchard, and farm.

Production of Mineral Fertilizers

Then, with our supplies of the fertilizer minerals, like lime, gypsum, potash, copper, boron, zinc, manganese, magnesium, sulphur, and others, and facilities like low-cost power and water for processing them, we have our greatest manufacturing industry coming up in the production of mineral fertilizers for our own and outside markets. The fertilizers are needed, not only to maintain fertility and yield, but also for flavor and vitamin content; in fact, civilization itself depends upon the maintenance of an adequate program of fertilization for all our soil, our basic asset. By reason of its raw materials, power, and water, and because of its location at an economic crossroads, the Pacific Northwest is the logical area for this and other processing and fabricating for the Pacific Rim, the area of the next great development in the world!

Finally, the big and immediate bet for us is the *recreation* industry, the provision of accommodations and facilities for the year-round recreation and entertainment of our visitors and ourselves. Surveys indicate that recreation is a potential 750 millions annual industry for the Pacific Northwest. The heritage of scenery, climate, and frontier atmosphere is ours, and to the extent that we capitalize upon it, we will develop a great industry and benefit. There will be increased leisure and income for all our people in the future—and do not forget that the Californians are veritable gold mines for us at all seasons. Just as rapidly as we step out with the additional accommodations and services which will make our recreation synonymous with the Pacific Northwest, its traditions and its frontier spirit, so fast will we attract and hold many more people in our midst.

It goes without saying that the service to accompany our facilities and accommodations must be first-class. I can think of no better example or standard than to say Western Canada already can do—let all of us follow suit.

Our assets and opportunities present the most fascinating and challenging balance sheet in the world today. Whether it is in construction, agricultural development and processing, industrial development and expansion, or in recreation and enjoyment of living and working, the Pacific Northwest is the promised land of milk and honey, of power and money. When we look at the balance sheet, realistic though we may be, we will all derive new inspiration and confidence in our region and its future. *Both today and tomorrow, the credit of our Pacific Northwest is tops!* ★★★

Seattle Now 100 Per Cent National

E. DeWitt
Manager, Retail Credit Association of Seattle
Seattle, Wash.

SINCE 1912, when the Retail Credit Association of Seattle was formed, it had been the ambition of its membership to have all subscribers to credit bureau service affiliated in some way with the National Retail Credit Association. Many progressive cities covered by the N.R.C.A. have such an arrangement and, before the war, were doing a fine job in their local communities. Because of better understanding among the membership of those cities, it was an easy method to settle any credit problems that might confront them.

Shortly after Regulation W was modified, it became apparent that credit was becoming a vital factor in retail sales and Seattle was faced with the following three major problems: Education, cooperation among the credit granters, and credit bureau service.

The board of the Seattle Credit Bureau met many times with the governing board of the Retail Credit Association, attempting to work out a plan that would serve our purpose. It was finally decided that if all subscribers of the bureau were made members of the Association, it could be done on the basis of one dollar per month per member. This is probably the most economical arrangement used by any of the local credit men's associations.

Details of Membership Plan

A letter was sent by the bureau to all subscribers not members of the Association prior to the May billing, telling them of the arrangement and that their statement would show one dollar for Retail Credit Association dues. Practically the entire membership of the bureau accepted the plan immediately and, as a result, the Association increased its membership from 185 to 512 during May. All new subscribers to bureau service automatically become members of the Retail Credit Association of Seattle and the National Retail Credit Association.

Beginning this fall, emphasis will be placed on education. There will be an educational course sponsored by the Association; also, speakers will be available to fill requests from the high schools and the University of Washington. A committee on credit bureau service has been appointed, and with monthly meetings of the Association starting in September following summer vacations, it is expected that a spirit of cooperation among members will exist to a point where local retail credit problems can be discussed and solved in the best interests of the community.

Cooperating with the Credit Bureau was the Membership Committee of the Retail Credit Association of Seattle with E. N. Anderson, Shell Oil Co., as chairman, and the President of the Association, R. T. Wright, Metropolitan Branch, Seattle First National Bank.

Membership Prizes, 1947-48

Prizes of $200.00 each are to be awarded to the following chairmen reporting the largest number of new members:

Local Chairman—100 members minimum
State Chairman—200 members minimum
District Chairman—500 members minimum
Regional Chairman—1,000 members minimum

Only one chairman in each group is to receive an award and it will be based on the greatest percentage in excess of quota. The quota will be figured on one member for each 1,000 of population, from which will be deducted the number of members in the city, state or district.

In addition to the four chairmen, the first bureau manager reporting 100% affiliation (all members, provided the minimum is 100 members) is to receive an award of $200.00 cash. It was suggested that the cash awards be used to help defray expenses to the 34th Annual Business Conference at Banff in June, 1948.

Gavels, properly inscribed, will be given to all Credit Associations organized between June 1, 1947 and May 25, 1948, as follows:

1—First N.R.C.A. Unit organized during the fiscal year.

2—Unit making greatest percentage gain.

3—Local Associations in cities up to 50,000 population organizing a National Unit of 20 or more members.

4—Local Associations in cities up to 100,000 population organizing a National Unit of 25 or more members.

5—Local Associations in cities of 100,000 to 250,000 population organizing a National Unit of 35 or more members.

6—Local Associations in cities over 250,000 population organizing a National Unit of 50 or more members.

7—Largest Unit organized in Canada or the United States.

New National Units

National units organized since June 1, 1947:

DISTRICT	CITY
4	Cookeville, Tenn.
10	Butte, Mont.
10	Everett, Wash.
10	Fairbanks, Alaska
10	Langley Prairie, B. C.
10	Moscow, Idaho
10	Nanaimo, B. C.
11	Burlingame, Calif.

Solving "New" Credit Problems

Robert Bartels, Ph.D.
Associate Professor of Marketing, **The Ohio State University**
Columbus, Ohio

(Written exclusively for The CREDIT WORLD)

IN TIMES OF recurring crises and pending business changes, it is often thought that radically new problems confront credit managers. Such is the situation today with the return of credit controls to private business and the relinquishment of credit supervisory activities by the Government. Changed circumstances and practices of credit granting since the enactment of Regulation W are posing for both new and experienced credit managers' problems the exact likes of which they have not faced before.

The nation seems, however, always to be on the verge of one kind of a crisis or another. At present, the storm flag is out in warning of the feared inflationary effect of threatening credit competition. The President, in signing the Bill to end Federal credit curbs, has reiterated his conviction that business may meet sudden squalls and rough seas if competition in credit terms is substituted for competition in price. He wanted Congress to enact legislation providing for continued restraints. Its failure to make such provision throws upon businessmen the responsibility for steering their barks in a manner which secures not only their own safety but also that of all others who course our agitated economic waters. Collective as well as individual security is at stake.

Resumption of Full Credit Control

The resumption of full credit control by enterprise touches issues at the very core of current business conditions. The long-anticipated business recession, if and when it materializes, will be a condition in which consumer spending power is inadequate to purchase all of the goods which have been or are being produced. Mounting buyer resistance will pile up inventories throughout trade channels, and producers will presumably curtail activities for want of a market. Unemployment may ensue and dealers will bend every effort to maintain sales volume in order to avoid losses.

How the business mechanism gets under way again, whether by stimulation of purchasing power or by reduction of production costs, is an important problem, but not one immediately engaging credit managers. Their role in the present scene is to help evolve policies for sales promotion in the face of buyer resistances.

The temptation to make sales by every possible means and to realize as much as possible from immediate circumstances is a strong influence. Vendors yield to this influence in inducing buyers to make cash purchases at attractive prices, or purchase commitments on attractive terms. Sellers thus reduce their inventories and the risks which attend them. This sales policy has characterized the early stages of cyclical down trends, and anxiety is expressed that the policy of competition in terms in the disposal of merchandise will again be adopted after November 1. Should this occur, it is feared that it may unbalance the already teetering economic scales and contribute to the fulfillment of some direful predictions concerning business.

All these considerations raise for credit men the questions of how they can be forewarned and forearmed against all the varied types of business problems which arise. Who does not at times ask himself: Is there a prescription for both the cure and the prevention of all the new credit ills?

The problems of credit and other business functions constantly take new form and expression as conditions change, but it would indeed be bewildering if every "new" problem demanded a new solution. The wisdom of our years of study and practice would be ravelled were it not that practice is woven with a thread of principle, and that even the rudiments of business education are often sufficient for solving some of the more complex problems of business.

Today, one is warranted in asking whether the pending credit crisis presents really new problems or whether it represents a number of old problems in new guise. The problems are "new" in the sense that reversion from Governmental to private credit control is unprecedented. They are new in that current domestic and foreign economic conditions have a hitherto unexperienced impact upon our production and consumption conditions. On the other hand, are these problems not, in one way or another, fundamentally the same old problems of extending credit to the right people, at the right time, at the right terms? This is not new. It is the recurring and essential problem of credit management.

These problems raise pointed questions in thought relative to their solution. However, whether they seem old or new, their solution is aided by a review of basic credit principles, and each new crisis should encourage retrenchment in the rudiments of good business practice.

Do all customers deserve credit? No. Good business conditions and plenty of cash in circulation give the impression that even the poorer risks are safe ones. Credit applicants should continue to be screened for the elimination of those who cannot pay, or who may neglect to do so.

Do consumers now need more liberal credit terms? Some goods at present prices cannot now be bought by

lower-income earners with the currently required down payments and total time periods allowed. With present incomes, therefore, either terms must be relaxed or prices lowered if sales of those goods are to be made. So long as prices remain high, however, credit managers will concentrate their attention on the relationship between a buyer's total income and the total price of goods in determining whether credit is warranted. Easier terms, in relation to set prices and fixed incomes, may enable more people to satisfy their wants sooner, but philanthropy is not the credit manager's primary objective, nor mere distribution of merchandise his task. Liberalization of terms is justified only to the extent that full payment can be made out of income, in a period of time not to exceed the life of the commodity.

When sales volume declines, should terms be liberalized? If a drop in sales volume is due to general economic conditions, in which wages decrease or unemployment increases, liberalization of terms will bring no permanent stimulus to sales. Under such circumstances, liberalization of terms may clear inventories but it will not assure receiving payment for the goods. Even in good business times, terms should be set in accord with sound business practice and not as a tool of competition. As a general rule, credit policies should be tightened when business difficulties are anticipated, and relaxed when business has smoother sailing.

When spending power is low, should credit be extended more liberally to meet people's need for goods? Credit is no substitute for cash, in the long run. If buyers have no cash and little prospect of getting cash, extending credit is tantamount to giving goods away.

Should applicants for credit be interviewed, or is written information alone sufficient? Written information alone may be sufficient for some credit managers, but the interview should be held in granting retail credit whenever it is feasible. It both furnishes useful information to the creditor and serves as a means of educating buyers Customers! to their credit obligations. Many stores have become indifferent to interviews in recent years; yet, the interview remains one of the most important educational media for credit users.

Lack of Knowledge Regarding Terms

In a survey conducted under the author's supervision of a representative sample of credit users in Columbus, Ohio, it was found that only one-half of them learned vendors' credit rules at the interview. One-third of them learned the rules "through experience," which, alas, meant that the function of credit granting had failed at some point along the line. The lack of sufficient education at the time of interview is suggested by this. The importance of the initial interview is further indicated in the fact that after their accounts were opened, 82 per cent of the credit buyers never voluntarily went to talk with the credit manager.

Should income data be requested in credit granting? Yes. The credit manager must know something of consumers' incomes if he is to determine wisely the amount of credit to be extended to them. Nevertheless, 52 per cent of the credit users interviewed had not been asked about their incomes when their last account was opened. Almost 80 per cent of those interviewed thought that such information would be needed by the store, and 74 per cent said that they would not object to giving this information.

Should credit users be charged for credit privileges? The present tendency is to make credit as attractive as possible, and to give the least impression that it is costing anything. Intelligent buyers, however, know that credit service must be paid for, and discriminating patronage may be built by making justified price differences for cash purchases and reasonable charges in proportion to the credit service rendered.

Should a credit limit be set? The concept of the credit limit in retail credit is loosely defined in practice today. Stores do not adhere scrupulously to rigid limits, and customers are generally of the idea that no limits have been set for them. Many are uncertain about the existence of limits. Nevertheless, customers with acceptable credit are deserving of credit only in a certain amount. Some idea of these graduated amounts should be kept clearly in mind and provision made for their easy administration, whether by methods of credit authorization, coupon books, or the like.

Are budget charge accounts, economy credit plans, and the like, helpful to both buyers and sellers? It appears from current experience that they are, for when administered judiciously they provide limited credit for people with limited incomes, yet afford a controlled credit plan for stores with compensation more nearly commensurate with cost and risk involved.

A number of the seemingly new problems facing credit managers today are but old ones in different guise. *Many of them can be solved by reliance upon time-tested credit principles.* ★★★

CREDIT FLASHES

Nineteenth Boston Conference

The nineteenth annual Boston Conference on Distribution will be held October 20 and 21 at the Hotel Statler, Boston, Mass., according to an announcement by Daniel Bloomfield, Director of the Conference. The main themes of the Conference will be "Improving Productivity in Distribution" and "World Aspects of Distribution." "The challenge to American business today lies in two factors of utmost importance—*increasing costs* which seriously hamper profits, and our *relations with the countries of the world,*" Mr. Bloomfield says. "The answer must be *improved productivity* by those in whom your money is invested, and *comprehensive understanding of world conditions* as they affect distribution of commodities."

New Position for Morris G. Riley

Morris G. Riley, formerly a major in the U. S. Air Corps and at one time manager of the Credit Bureau of Greater Kansas City, Missouri, has been named Merchants' Association Secretary for the Country Club Plaza Association of Kansas City. Mr. Riley will devote full time to the position, in which he will serve approximately 150 retailers and service institutions. His manufacturing business interests in the firm of Riley Brothers will be handled by his brother. He may be reached by writing him in care of the association at 310 Ward Parkway, Kansas City 2, Missouri.

S. E. Edgerton Retires

On August 31, 1947, S. E. Edgerton retired as General Credit Manager, The Broadway Department Store, Los Angeles, after 33 years of service. He joined the company in 1914, when, while passing the new store then under construction, he paused to inquire about employment. He previously had been with the Denver Dry Goods Co., and the White House in San Francisco. He was promptly engaged by Arthur Letts, the owner, as assistant general superintendent. A year later he was asked to organize a credit department. The only credit manager the store ever had, he missed only one day at his desk in 33 years, and that through sickness.

Mr. Edgerton has been prominent in both local and national credit circles, having been a member of the Board of Managers of the Los Angeles Retail Merchants Credit Association since 1915, and at one time its chairman. He has been President of the Eleventh District of the National Retail Credit Association, a Director of the N.R.C.A., and a Director of the California State Association.

On August 19 a luncheon was given for him by the top management of the store. On August 28, the credit executives of various organizations held a luncheon for him and gave him a beautiful silver bowl. In the evening of the same day, the employees of the Credit Office, Collection Department and the Authorization Department of the three Broadway stores honored him with a dinner. He was given a beautiful silver tray.

A native of Clinton, N. Y., and a graduate of Hamilton College, Mr. Edgerton, who resides in Hollywood, plans to loaf for a while and to breed cocker spaniels on a commercial basis. The National Retail Credit Association congratulates Mr. Edgerton on his 33 years of service with the Broadway Department Store and wishes him many more years of success and happiness in his well-deserved retirement.

James Wilson

James Wilson, 78, credit manager of the Denholm & McKay Co., Worcester, Mass., and an employe for 61 years died September 1. He was a charter member of the National Retail Credit Association and in 1912 took the initiative in the formation of the Associated Retail Credit Men of Worcester and was a director at the time of his death. In 1886 he was office boy and then advanced to collector, bookkeeper, cashier, paymaster and then credit manager. He had also served as secretary, assistant treasurer, and a director of the company. In 1902, he suffered injuries in a ten-mile bicycle race which left him paralyzed from the waist down. Notwithstanding this handicap, he continued on the job with wonderful results. He was one of the outstanding credit executives in the United States. The National Retail Credit Association extends its deepest sympathy to his widow and his three sisters who survive him.

Positions Wanted

Retail credit manager. Middle West location preferred. Experienced on 30-day accounts, budget accounts, sales promotion and collections. A-1 references. Box 1071, The CREDIT WORLD.

Man with 20 years' experience in credit and collection work desires permanent position with department store or installment house. Can produce results. Prefer moderate climate. Write, stating number of accounts, type of business and salary offered. Box 1072, The CREDIT WORLD.

Credit and collection executive with 13 years' experience, now available. Minimum salary $5,000. Will move anywhere. Thorough knowledge of methods and procedures. Experienced in use of credit to develop sales. Box 1074, The CREDIT WORLD.

For Sale

Active Credit Bureau with Collection department, in the foothills of the Colorado Rockies. Good business in fast growing area. Bureau has no competition. This is a real opportunity to buy at un-inflated price of $5,000.00. Reason for selling, other interests. Box 1073, The CREDIT WORLD.

50 McDonald Gravity Loose Leaf Binders taking ledger sheets size 7 x 11. These binders have been used but are in good condition and will be sacrificed at a low price. Will sell all or part of them. H. C. Prange Company, Sheboygan, Wisconsin.

N.R.C.A. Quarter Century Club—Are You Eligible for Membership?

MEMBERSHIP in the Quarter Century Club of the National Retail Credit Association will be issued on proper showing that the applicant has been active in an executive capacity in retail credit granting or in credit bureau work for 25 years, and that the firm or firms with which he or she has been connected have been members of the National Retail Credit Association during the applicant's 25-year period of service. Nominations for membership may be made by retail credit associations or by a credit bureau manager, and should be forwarded to L. S. Crowder, Treasurer, Quarter Century Club, N.R.C.A., Shell Bldg., St. Louis 3, Mo.

The club has no dues. All expenses in connection with club activities are paid by the National Retail Credit Association.

Each member of the Club receives from the National Retail Credit Association a Quarter Century Club pin, or lapel button, and the club insignia must be worn at District and National meetings, including the complimentary breakfast given by the National Retail Credit Association at its annual conference. At that time, officers of the club are elected to serve for one year, or until their successors are chosen. Officers of the club are president, vice-president, secretary, and treasurer, and the officers constitute the executive committee. The officers for the ensuing year appeared on Page 19 of the August CREDIT WORLD.

The program at the annual breakfast is informal, and may include brief talks by members, as well as reports by officers of the club.

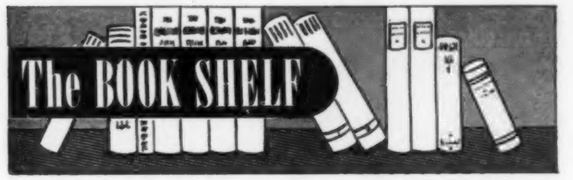
Membership in the club is for life. Members who have retired from active business become Honorary Life Members.—Max Meyer, *President,* Quarter Century Club, N.R.C.A., Credit Bureau of Lincoln, Nebraska.

C. R. Bailie Appointed Credit Manager

Clinton R. Bailie, Jr., has been appointed credit manager of the Bon Marche store in Spokane, Wash., which was opened by Allied Stores Corp. on Sept. 5. Mr. Bailie has been in the credit field in Spokane for 17 years, and has been with a credit and collection agency part of that time. Under the store's credit plan, customers will be allowed to choose five payment plans: A 30-day charge or open account; a three-month budget plan requiring three equal payments; a budget club in which members will purchase coupon books in amounts of \$10, \$15 and \$25, or multiples of these, which may be purchased on special terms; and the store will also offer the lay-away plan and conditional sales contracts.

C. B. Flemington in New Position

Carl B. Flemington is the new manager of the Credit Bureau of Toronto, Canada. He began his new duties on July 1, after 18 years of service as assistant manager. He holds the M.C.I. degree from the Canadian Credit Institute and is Vice-President of the Toronto chapter. He is also Treasurer of the Credit Granters' Association of Toronto and Treasurer of the Associated Credit Bureaus of Canada. He succeeds J. H. Suydam who has resigned to become assistant general manager of the Canadian Credit Men's Trust Association Ltd.

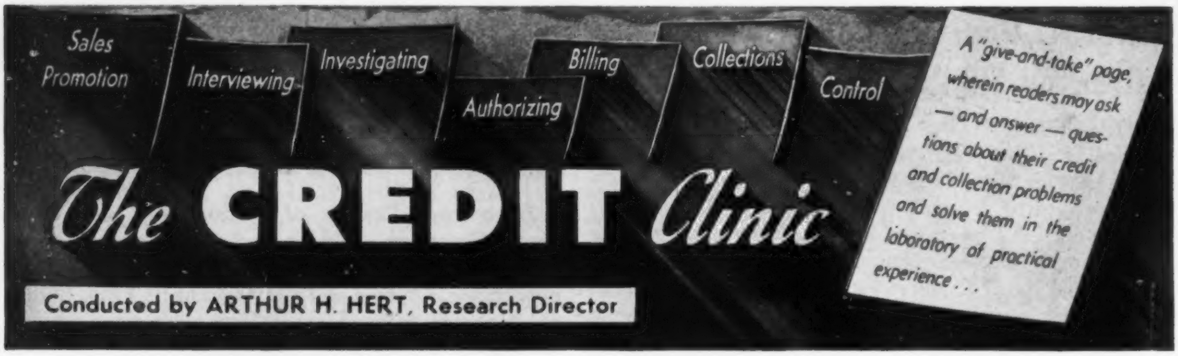


Operating Results of Department and Specialty Stores in 1946 by Prof. Malcolm P. McNair (Harvard University Graduate School of Business Administration, Division of Research, Soldiers Field, Boston 63, Mass., 50 pages, \$3.50.) This study gives detailed information on total store margins, expenses, stock-turns, and other significant operating data in department and specialty stores. It is the 27th consecutive annual survey of this kind prepared by the Harvard Business School, with the financial support and cooperation of the National Retail Dry Goods Association. The significance of current store operations is given expert analysis in the light of basic trends and long-term comparisons.

Records Management and Filing Operations by Margaret K. Odell and Earl P. Strong (McGraw-Hill Book Company, Inc., 330 West 42nd St., New York 18, N. Y., 342 pages, \$4.00.) The emphasis in this book is placed on the management and on the proper administration of paper and card records. The authors are outstanding authorities in the field of filing and clerical work improvement. The book shows how to plan and manage files for quick service to users; discusses centralized control of both centralized and decentralized files, with their advantages and disadvantages; shows how to index records to meet the requirements of users; and gives other valuable suggestions for improving management of records and filing.

Bank Frauds by Lester A. Pratt (The Ronald Press Company, 15 E. 26th St., New York 10, N. Y., 248 pages, \$4.00.) This book is intended for anyone interested in the detection and prevention of bank frauds. Written by a certified public accountant, it is based on experiences of his firm and a study of thousands of case histories furnished by several large surety companies. Mr. Pratt gives various methods for detecting embezzlements in their early stages so that losses may be minimized, and for controlling the opportunities to steal from banks.

Trade Discount Practices, Report No. 558 (The Dartnell Corporation, 4660 Ravenswood Ave., Chicago, Ill., 55 pages, \$7.50.) In the past year, American business has given more serious consideration to revision of discount practices than it has for several years. Much of this activity has taken place without adequate information upon which to base decisions about discounts because such information was not available. This report is intended to give the information needed, indicating both present discount practices and probable long-term trends. It was compiled with the cooperation of 126 companies in various lines of business—manufacturers, wholesalers, and dealers. Executives may find helpful suggestions in the experiences reported, regarding both discount policy and the legal angles to be considered.



The Question

I would be interested to know if any other stores are purchasing the conventional bookkeeping machine equipment. It is my impression from reading the magazine ads that many stores are adopting the simplified cycle billing when they have to purchase new bookkeeping machines. I wonder what per cent of the purchasers are buying cycle billing equipment and what per cent the conventional type.

The Replies

Los Angeles, Calif.: Some time ago, we placed an order for replacement of our bookkeeping machines and specified that they be of a type that could be used for cycle billing. We plan to adopt a modification of cycle billing, in that we will cycle mail our statements by sending a descriptive bill similar to that which we now render on a monthly basis. In order to do this, we intend to use Remington Rand Cycle-Matic equipment for accumulating the sales tickets and National Split-Platen cycle billing machines of Class 3000 for preparing the statement for mailing. We expect to establish our accounts on a 20 cycle arrangement so that 1/20 of our accounts will be mailed at one time. We believe this method will work out with a considerable saving over our present plan. At the same time, we can retain the original sales ticket for reference purposes, and our customer will continue to receive the type of statement to which she has been accustomed.

★ ★ ★

New Haven, Conn.: We have not adopted simplified cycle billing. In fact, we believe that any store that is able to get its bills out on either the first or the second of the month should not even contemplate changing its method of billing.

★ ★ ★

Memphis, Tenn.: Our store installed cycle billing last October. Remington Kardex equipment is used, with billing being done on Underwood Sundstrand billing machines. The installation is entirely satisfactory and we are pleased with it.

★ ★ ★

Milwaukee, Wis.: We have been using cycle billing since September, 1944. In addition to our five cycle billing machines which were purchased then, we recently bought four more.

★ ★ ★

New York, N. Y.: We installed Craig cycle billing equipment early last fall. At that time, we changed from N.C.R. to Remington bookkeeping machines, although we did not purchase any new machines. Our requirements were filled from a machine pool we had for other divisions in our organization. We have been considering high speed machines such as Burroughs and Sundstrand, but have not decided as yet to make a change.

★ ★ ★

St. Paul, Minn.: We have just purchased three Remington Rand bookkeeping machines to help take care of expanding credit business. We recently made a study of cycle billing and have decided not to adopt it, at least for the present.

★ ★ ★

Tulsa, Okla.: We use the I.B.M. for tabulating posting.

★ ★ ★

Washington, D. C.: We are using cycle billing, with National Cash Register machine equipment.

★ ★ ★

Worcester, Mass.: Inasmuch as we close our books the third business day before the end of the month, we are able to get out our bills by the first. Thus, we see no need for cycle billing. However, we can go on cycle billing any time without changing our system. We have not purchased any bookkeeping machines lately. We use the N.C.R. conventional bookkeeping machine, and, if we were to buy, would buy the same machine.

★ ★ ★

Youngstown, Ohio: Our accounts receivable billing (cycle) is done by I.B.M. tabulating equipment. Therefore, we have purchased no bookkeeping machines for a number of years.

The Questions

We are interested in knowing how member stores handle what is generally referred to as suspense accounts. How long does the average store render customers' accounts in regular files before they are transferred into suspense ledgers? It seems some stores use 120 days and others do not transfer these items into suspense binders until the accounts reach an age of eight months. What is the dollar volume in suspense compared to total outstanding? Do other stores continue to extend credit to this class of customer? How many stores are using Charga-Plate or other methods of customer identification? What is the average floor limit where the method of Charga-Plate is used?

The Replies

Baton Rouge, La.: We do not have a suspense account ledger. Once a year, the worthless accounts are transferred to what we call a P. & L. ledger. Then,

different collection procedure is followed. As to our charge-offs, they have never been over $1/15$ of 1 per cent of our charge sales. To explain it another way, our charge-offs or suspense accounts will not average 1 per cent of our total outstanding. We still use the same terms as under Regulation W and any account that does not pay according to these terms is automatically suspended until the balance is paid. Whether we charge to an account that has been transferred to the P. & L. ledger depends entirely upon the circumstances which forced the customer to let the account remain unpaid. We use a credit card for customer identification. The floor limit on our first floor is $5; in our ready-to-wear department, $25.

★ ★ ★

Birmingham, Ala.: We have never transferred our past-due accounts into a suspense ledger. Profit and loss accounts are charged off on February 1 of each year. We have been using Charga-Plate for years, and we are the only store in Birmingham using this means of customer identification. Our floor release limit is $11, provided the Charga-Plate is presented and $5 if it is not presented.

★ ★ ★

Brooklyn, N. Y.: We render customers' accounts in regular files five months before transferring them into suspense ledgers. Our dollar volume in suspense, as compared to total outstanding, is about 4%. We do not continue to extend credit to this class of customer. We use Charga-Plate, with a floor limit of $15.

★ ★ ★

Brooklyn, N. Y.: Our slow-pay accounts are transferred to suspense when all efforts on our part to collect are unsuccessful, and the accounts require legal action. Up to this point, the accounts remain in our ledgers and bills are mailed each month. There is no age limit to govern the transfer of slow accounts to suspense. When legal action is necessary, this transfer takes place. The dollar value in suspense varies as we transfer from suspense to P. & L. every six months. Credit is suspended on these slow-pay accounts long before they reach the suspense or legal stage. Our store uses a charge identification coin. With the coin, takes are permitted without authorization up to $20, and in "Ready to Wear" departments, up to $50.

★ ★ ★

Dallas, Tex.: We do not keep suspense accounts separately. We do use Charga-Plate for customer identification, and extend a floor limit of $20.

★ ★ ★

Dallas, Tex.: Our accounts receivable and credit system do not provide for actually transferring accounts from the regular files to separate suspense files. We are on cycle billing, and two clericals go through our regular accounts monthly. When an account has reached the age of 105 days, a collection card is made up and turned over to our Collection Division, which follows the account closely until it is paid. At the end of our fiscal period once a year, we transfer to Profit and Loss. When the account is transferred to "collection," it is signalled and any future charges are referred. We do not have Charga-Plate now; however, a group installation is being made in Dallas, and we expect to have it in operation during November.

Des Moines, Iowa: We do not carry a suspense ledger here in the office. Our charge-off is made twice a year but the accounts remain in the regular files until such time as the charge-off is actually made. Our regular procedure calls for a collection card to the Collection Department 75 days after the account becomes due. Accounts are either flagged as closed in our Kardex at this time or, in unusual circumstances, still earlier. Our floor release on charges with a Charga-Plate is $10. The release without a Charga-Plate is $5.

★ ★ ★

Fort Wayne, Ind.: Our suspense accounts are transferred from our general ledgers at the end of each six months' period, meaning February and August. Accounts that do not have a payment or definite arrangement for an unpaid balance of six months are automatically transferred to suspense. These are worked through our departmental collection procedure for 90 days. If no collection is effected, we automatically turn them over to an outside collection agency. We do not maintain any of our own collectors on the outside. Since we are on cycle billing, any accounts that go to suspense are automatically transferred from their respective controls or cycles to our suspense control which is No. 17, and there the balance is carried as the suspense control balance, entirely separate from the rest of our cycle controls. The percentage of our dollar volume in suspense, as compared to our total outstanding, as of February 1, was .0033%. We do not extend credit to a suspense account until six months after it has been paid in full, and then only if other credit ratings and our understanding with the customer meet with our approval. We use Charga-Plate exclusively as a customer identification and convenience. Our present floor limit for Charga-Plate customers is $10 with the plate.

★ ★ ★

Indianapolis, Ind.: We have never transferred accounts to a suspense ledger, nor do we have a definite past-due age before they are charged off to Profit & Loss. However, we do charge-off twice a year—just before the end of January and July. In these charge-offs may be accounts from 90 days to a year old. Charga-Plate has been used in our store since October, 1937, having exclusive rights until March of this year when we went into a Group Installation with three other Indianapolis stores. All of the associate stores here use the $10 floor limit.

★ ★ ★

Jackson, Miss.: We do not have any accounts under the "suspense accounts" classification. All our accounts are carried on our regular ledger and billed each month until the time of our next regular charge-off period.

★ ★ ★

Joplin, Mo.: We do not transfer suspense accounts from our regular ledgers. Accounts 90 days past due are considered suspense accounts and, upon being settled in full, are opened again. The only accounts we transfer are P. and L. accounts at the close of business on December 31. Suspense accounts in dollar volume are light, compared to the total outstanding. We do not use a Charga-Plate. All accounts are okayed in the credit office by the authorizer over our regular authorization system.

(To be continued next month.)

CREDIT DEPARTMENT *Letters*

W. H. BUTTERFIELD, ***Educational Director,*** **National Retail Credit Association**

THE BELIEF has long persisted in most firms that anyone can handle routine inquiries and requests. As a result, beginners are often placed in charge of such duties, on the theory that here they can do no harm, and can learn something about the business while serving in a strictly "fool-proof" capacity.

This short-sighted policy has lost many sales and has "muffed" many excellent opportunities to build good will. Probably no type of letter written in everyday business has been more abused than the letter of reply to an inquiry or request. And all this despite the power of such a message to build or bungle public relations.

The person who mails an inquiry to your company, or sends your firm a letter of request, is often an individual with whom you have had no previous dealings. Quite naturally, his opinion of your organization will depend largely upon the kind of reply he receives. If you show a cordial and genuine interest in helping him, he'll be kindly disposed toward you. He will want to do business with you. But if you treat him like "Inquiry No. 92,687," he'll sense your indifference and react toward you in precisely the same way. In short, every inquiry and request your firm receives—and there must be many of them each month—represents an opportunity for you to build good will in your reply.

So it is quite apparent that competent, well-trained letter writers should formulate the replies to routine inquiries. It is one of those unexplainable contradictions of business policy that so many firms spend thousands of dollars each year on public relations, and still permit incompetents to handle inquiries and requests.

Even the most routine kind of inquiry can be acknowledged in a manner that wins the confidence and friendship of the inquirer. Suppose, for example, that John Doe requests a booklet which you have offered without cost to all who write for it. Presumably you have an ample supply of booklets on hand. There are four possible ways to handle this request. One would be to ignore it altogether. Ridiculous, you say? Granted. But this very fate befalls a lot of inquiries just the same.

A second course of action would be to send the booklet without comment. Some firms believe that merely sending the material is acknowledgment enough. The fact that Mr. Doe receives the booklet proves that his request was both received and granted. Why write to tell him the obvious?

The answer to this question depends upon the kind of reply that is written. If it's a perfunctory "in compliance with your request" kind of reply, there is no point in writing it. But if it's a cordial, enthusiastic letter—one that shows real interest in granting the request—then there is excellent reason to write it.

And this leads us to the third and fourth methods of handling the request. If you were Mr. Doe, how would you react to *Illustration No. 1* on the following page? Yes, the trite language of this letter merely explains the obvious. The message does nothing to justify its existence. But suppose, instead, that the letter shown in *Illustration No. 2* was clipped to the booklet when it reached you. Wouldn't this letter leave you with a feeling of friendliness toward the writer and his firm? Wouldn't you rather like to do business with that firm?

The difference in the two replies is due mainly to letter tone. The first writer was indifferent, and so was his letter. The second writer felt a genuine desire to be helpful, and this desire was reflected in his cordial, cooperative message.

As demonstrated in *Illustration No. 2,* the reply to an inquiry or request can do an effective job of indirect selling. It can be a real builder of good public relations for the firm. And the acknowledgment sometimes assumes even greater importance when the answer to a request must be "No."

Most people are sensitive about being turned down. They are also disappointed when their expectations are not fulfilled. But even then a friendly reply can build good will. Suppose, for instance, that the requests for a booklet exceed the supply, or that someone writes for a copy long after distribution has been discontinued. A reply such as *Illustration No. 3* would create an unfavorable impression that the reader would long remember.

When you must decline a request, by all means give the reader a courteous explanation of the reason for your declination. Inclusion of this element makes a big difference in the tone and effect of the letter, as shown in *Illustration No. 4.*

Don't you agree that even a disappointed reader, who wanted the booklet very much, would be kindly disposed toward the company that sent him such a cordial letter? Though few executives seem to realize it, the men and women who write the replies to inquiries—form letters or otherwise—are playing a major part in the company's public-relations program.

So take just a moment to check up and see who handles the routine inquiries and requests for your department. The people who do this job should be experienced, well-trained letter writers. By temperament they should be human, cordial, tactful, and enthusiastic. If you think good public relations are important, don't leave this work in the hands of someone with the animation of a wooden Indian or the tact of a traffic cop. ★★★

This month's commentary and letter examples are adapted from the author's article, "Every Routine Inquiry Carries an Opportunity to Make a Friend," which appeared originally in *Sales Management.* The material is presented through the courtesy of Sales Management, Inc., New York.

The Wrong Way

Dear Mr. Doe: (1)

In reply to your request of recent date for a copy of "The Story of Consumer Credit," you will find same enclosed.

Yours very truly,

The Right Way

Dear Mr. Doe: (2)

It is a pleasure to send you "The Story of Consumer Credit." Thank you for requesting a copy.

We believe you will be especially interested in the illustration on page 4, showing at a glance the swift development of consumer credit in the United States. The summary of Consumer Credit Conveniences on page 6 is also of interest to many readers.

It is our hope that you will find this booklet both entertaining and useful. Please let us know whenever we can be of service.

Cordially yours,

The Wrong Way

Dear Mr. Doe: (3)

Referring to yours of recent date, this is to inform you that we cannot grant your request for a copy of "The Story of Consumer Credit."

Yours very truly,

The Right Way

Dear Mr. Doe: (4)

Thank you for your interest in "The Story of Consumer Credit."

It would be a pleasure to send you this booklet if we had even a single copy of it left. But the number of requests far exceeded our expectations, and the supply was exhausted several weeks ago.

Perhaps the coming months will provide some other opportunity for us to serve you. We sincerely hope so.

Cordially yours,

• High Level of Business Activity for the Fall Months •

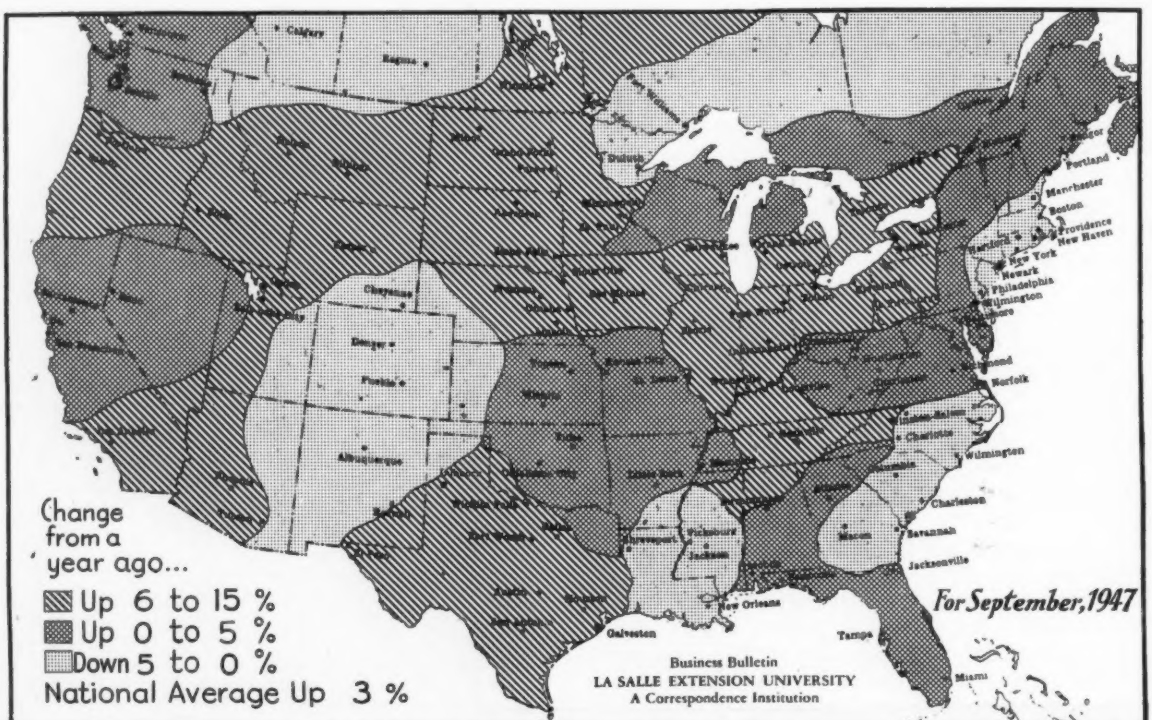
THE THIRD POSTWAR year has begun with the volume of trade and other aspects of business activity being maintained at levels slightly above those of a year ago and very close to the peak. Industrial production has been lagging for several months, but it is greater than it was last year and far above previous peacetime peaks. The total volume of business, as measured by bank transactions, is about 2 per cent higher than it was a year ago. Indications are that this high level will be maintained during at least the early fall months and possibly longer. The forces which sustain business are still stronger than the obstacles and the unbalanced conditions which tend to hamper it.

BUSINESS VOLUME continues to be least favorable along the East coast, as it has been for several months. The least satisfactory area is that around New York City and activity is lagging farther South. Around New Orleans is another area where business volume in many localities is slightly below that of a year ago. In other parts of the South, especially in Texas, however, conditions are very good with most cities reporting activity considerably above last year. In the petroleum-producing regions business is also forging ahead due to the large demand for petroleum at high prices.

TRADE IN THE industrial region around the Great Lakes is being held at a high level even though production has declined slightly. Employment is at the peak and individual incomes are higher than ever before. Business in the New England industrial area is fairly good, although the volume of trade is not quite so favorable as it is in most other parts of the country. Much of this difference has been due to the fact that industry was above average in that section a year ago.

BUSINESS ACTIVITY along the West coast is holding up well as compared with even the very good conditions last year. As compared with the prewar volume of business, conditions in this section are far better than in any other part of the country. The growth in population and the extensive industrial developments have greatly expanded the output as well as the total consumer incomes in those states.

IN CANADA, the volume of trade and industry has been at very close to the peak of the peacetime period and about 7 per cent higher than a year ago. Activity has increased in both the industrial and the agricultural regions, although some signs of slowing down have appeared in the farming districts. Crop prospects have become somewhat less promising than they were a few months ago and agricultural output will probably be lower than last year. National income and consumer demand remain high, however, and the outlook is for a continuation of the high level of business volume.—BUSINESS BULLETIN, La Salle Extension University, Chicago, Ill.



Collection Scoreboard

Compiled by the Research Division

August, 1947 • • • • • • • • • • August, 1946

CITIES	DEPARTMENT STORES (Open Accounts)						DEPARTMENT STORES (Installment Accounts)						WOMEN'S SPECIALTY STORES						MEN'S CLOTHING STORES					
	1947			1946			1947			1946			1947			1946			1947			1946		
	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.
Atlanta, Ga.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Baltimore, Md.	46.6	49.6	41.7	52.1	61.1	28.8	30.2	45.8	23.2	33.7	45.6	24.8	45.5	47.2	42.9	49.8	52.1	44.3	44.2	47.9	40.4	—	57.3	—
Birmingham, Ala.	50.2	57.3	44.0	59.0	67.6	50.1	33.0	37.9	28.2	44.4	48.9	36.7	45.7	50.2	42.0	53.5	55.7	51.0	55.5	58.6	52.4	67.9	70.0	65.0
Boston, Mass.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cedar Rapids, Ia.	73.8	86.7	60.9	82.0	91.0	73.0	—	—	—	—	33.9	—	—	—	—	—	—	—	75.0	71.7	68.3	89.0	91.1	86.8
Cincinnati, Ohio	53.4	69.1	36.4	62.8	70.3	54.8	24.1	38.1	15.8	29.7	43.7	23.4	57.1	63.2	51.0	62.4	62.6	62.3	48.3	56.2	40.4	55.3	64.9	45.8
Cleveland, Ohio	54.5	60.7	42.0	57.2	68.9	54.7	32.7	34.5	30.3	40.1	46.5	38.7	—	55.0	—	—	52.6	—	63.3	93.7	46.3	75.5	104.3	57.5
Columbus, Ohio	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Davenport, Ia.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Denver, Colo.	55.0	59.3	52.7	66.1	70.8	61.2	34.8	42.0	27.7	43.5	50.0	27.4	55.7	56.8	54.6	66.9	68.6	65.3	—	—	—	—	—	—
Des Moines, Ia.	—	—	—	—	—	—	—	—	—	—	—	—	64.7	72.5	56.8	81.3	85.9	76.6	56.8	68.0	54.3	69.5	83.4	56.1
Detroit, Mich.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Grand Rapids, Mich.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Kansas City, Mo.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Little Rock, Ark.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Los Angeles, Calif.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Louisville, Ky.	49.3	51.3	47.2	61.3	61.4	61.2	23.8	32.4	17.0	28.2	42.0	17.9	45.5	52.3	42.2	59.1	67.2	53.9	52.9	62.0	46.4	69.0	79.7	58.7
Lynn, Mass.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Milwaukee, Wis.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Minneapolis, Minn.	61.6	69.9	48.6	73.9	83.8	66.0	35.4	40.3	25.7	46.6	54.5	43.1	57.4	64.3	50.4	79.7	82.6	76.8	69.5	77.4	63.9	72.9	80.8	66.7
New Orleans, La.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
New York, N. Y.	50.4	63.0	39.3	59.4	73.2	42.7	23.8	32.9	17.7	28.6	36.8	19.6	41.5	41.6	41.4	45.1	47.4	42.7	—	—	—	—	—	—
Oakland, Calif.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Omaha, Neb.	—	71.3	—	—	54.2	—	—	22.6	—	—	40.3	—	—	56.1	—	—	51.1	—	—	—	—	—	—	—
Pittsburgh, Pa.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Providence, R. I.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
St. Louis, Mo.	57.2	59.2	56.6	68.7	74.0	63.1	32.9	36.3	29.5	39.1	44.5	33.6	47.7	56.1	39.2	56.6	64.0	49.2	56.2	58.2	52.7	66.1	69.8	61.9
Salt Lake City, Utah	74.5	83.2	69.5	86.0	90.8	78.2	35.8	38.8	33.0	38.0	38.5	37.6	—	—	—	—	—	—	—	57.6	—	—	93.3	—
San Francisco, Calif.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Santa Barbara, Calif.	62.3	72.3	54.0	—	—	—	—	—	—	—	—	—	64.1	69.4	55.0	—	—	—	69.9	74.0	65.6	—	—	—
Sioux City, Ia.	65.1	66.8	64.3	—	73.3	—	28.4	29.1	27.7	—	31.8	—	61.0	74.0	48.0	—	—	—	63.4	64.9	62.0	—	94.1	—
Spokane, Wash.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Springfield, Mass.	63.2	66.4	59.9	62.8	67.6	57.9	28.9	31.4	26.3	33.7	38.3	29.0	—	73.7	—	—	83.5	—	—	61.6	—	—	70.7	—
Toledo, Ohio	54.1	55.0	47.7	64.2	65.1	58.0	24.4	28.1	21.8	29.4	30.9	23.0	53.6	54.8	50.8	—	58.6	—	47.8	50.6	45.0	51.6	55.0	48.2
Tulsa, Okla.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Washington, D. C.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Worcester, Mass.	48.3	49.3	47.5	56.5	59.3	53.7	40.3	45.9	34.6	47.7	52.0	43.5	51.5	57.0	46.0	55.3	66.7	43.9	—	51.1	—	—	60.1	—
Youngstown, Ohio	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Ottawa, Ont.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Vancouver, B. C.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Victoria, B. C.	73.9	79.4	68.4	78.0	80.6	75.4	36.5	36.8	36.2	43.3	46.5	40.1	—	—	—	—	—	—	—	—	—	—	—	10-47 A H H

YOU SHOULD, by all means, read the 1946 Retail Credit Survey which appears on pages 4-8 of this issue of The CREDIT WORLD. The survey covers nine trades and is based on data from 6,470 stores, all of which transact a part of their business on credit. Nearly 4,350 supplied data for selected balance sheet items. Coverage varies considerably among the several trades, ranging from 63% of the total 1946 sales for department stores to 5% for household appliances and hardware stores. In 1946, credit sales increased more rapidly than cash transactions for most of the trade groups, thus reversing the situation prevailing throughout the period 1942-45. Only at furniture stores and automobile dealers was the rate of growth in credit sales less than that of cash transactions. Although the year 1946 marked a gradual return to more extensive use of retail credit, the proportion of credit sales for all nine trades remained substantially below that prevailing in prewar years. At department, men's clothing, women's apparel, and jewelry stores, charge-account sales made up a larger proportion of all sales than in 1945; at other types of retail outlets, charge-account business declined in relation to the total or remained virtually unchanged. **Arthur H. Hert**

Monthly CREDIT STATISTICS

CONSUMER CREDIT outstanding at the end of July is estimated at 11,060 million dollars, representing an increase during the month of 90 millions or less than 1 per cent. The principal factor in this increase was a gain of 142 million dollars in instalment indebtedness, which was partially offset by a seasonal decline in charge accounts receivables.

Instalment loans outstanding rose 3 per cent during July, approximately the same rate at which they have expanded during other recent months. At the end of July, these loans were about one and one-half times the level of a year ago.

Charge accounts receivable, which customarily decline in July, were about three per cent smaller than at the end of June but were more than one-fifth above the year-ago level.

Ratio of Collections to Accounts Receivable[1]

MONTH	INSTALMENT ACCOUNTS				CHARGE ACCOUNTS
	DEPARTMENT STORES	FURNITURE STORES	HOUSEHOLD APPLIANCE STORES	JEWELRY STORES	DEPARTMENT STORES
1941					
December	20	11	12	23	46
1942					
June	22	14	13	22	56
December	31	18	15	30	65
1943					
June	29	21	21	33	62
December	35	22	22	55	63
1944					
June	31	24	28	30	63
December	36	23	39	49	61
1945					
June	32	23	43	33	64
December	36	24	48	46	61
1946					
June	33	26	55	32	60
December	35	26	47	44	54
1947					
January	29	23	47	26	52
February	28	21	42	25	51
March	32	25	44	27	56
April	29	23	44	25	54
May	29	24	44	26	56
June	27	23	46	24	54
July	27	22	44	23	53

[1]Ratio of collections during month to accounts receivable at beginning of month.

CONSUMER INSTALMENT SALE CREDIT, EXCLUDING AUTOMOTIVE

[Estimated amounts outstanding. In millions of dollars]

END OF MONTH OR YEAR	TOTAL EXCLUDING AUTOMOTIVE	DEPARTMENT STORES AND MAIL-ORDER HOUSES	FURNITURE STORES	HOUSEHOLD APPLIANCE STORES	JEWELRY STORES	ALL OTHER RETAIL STORES
1941	1,805	469	619	313	120	284
1942	1,012	254	391	130	77	160
1943	641	174	271	29	66	101
1944						
June	515	138	237	15	44	81
December	635	184	269	13	70	100
1945						
June	532	151	237	11	49	84
December	676	198	283	14	74	107
1946						
June	699	210	299	17	63	110
December	1,015	338	366	28	123	160
1947						
January	985	337	352	27	114	155
February	978	338	349	30	107	154
March	1,004	358	354	29	105	158
April	1,060	386	366	32	109	167
May	1,112	409	382	32	114	175
June	1,156	423	395	36	120	182
July	1,169	432	398	37	118	184

DEPARTMENT STORE SALES BY TYPE

(Percentage of total sales)

YEAR AND MONTH	CASH SALES	INSTALMENT SALES	CHARGE-ACCOUNT SALES
1941—January	49	8	43
December	53	6	41
1942—June	56	5	39
December	61	5	34
1943—June	60	4	36
December	65	4	31
1944—June	63	3	34
December	64	4	32
1945—June	63	3	34
December	64	4	32
1946—June	59	4	37
December	57	5	38
1947—January	57	6	37
February	56	6	38
March	55	6	39
April	55	6	39
May	55	6	39
June	55	6	39
July	57	6	37

TOTAL CONSUMER CREDIT, BY MAJOR PARTS

[Estimated amounts outstanding. In millions of dollars]

END OF MONTH OR YEAR	TOTAL CONSUMER CREDIT	TOTAL INSTALMENT CREDIT	INSTALMENT CREDIT				SINGLE-PAYMENT LOANS	CHARGE ACCOUNTS	SERVICE CREDIT
			SALES CREDIT			LOANS			
			TOTAL	AUTOMOTIVE	OTHER				
1941	9,899	5,924	3,744	1,942	1,802	2,180	1,601	1,764	610
1942	6,485	2,955	1,491	482	1,009	1,464	1,369	1,513	648
1943	5,338	1,961	814	175	639	1,147	1,192	1,498	687
1944									
January	4,988	1,857	742	169	573	1,115	1,145	1,294	692
June	5,168	1,840	706	192	514	1,134	1,242	1,370	716
December	5,777	2,039	835	200	635	1,204	1,251	1,758	729
1945									
January	5,486	1,972	777	192	585	1,195	1,246	1,534	734
June	5,697	1,987	719	188	531	1,268	1,420	1,544	746
December	6,734	2,365	903	227	676	1,462	1,616	1,981	772
1946									
January	6,505	2,363	877	235	642	1,486	1,659	1,701	782
June	7,762	2,908	1,035	336	699	1,873	1,697	2,327	830
December	9,959	3,986	1,559	544	1,015	2,427	2,055	3,054	864
1947									
January	9,783	4,061	1,566	581	985	2,495	2,089	2,764	869
February	9,728	4,172	1,609	631	978	2,563	2,080	2,602	874
March	10,216	4,329	1,691	691	1,004	2,634	2,243	2,768	876
April	10,407	4,537	1,813	753	1,060	2,724	2,215	2,782	873
May	10,723	4,733	1,922	810	1,112	2,811	2,255	2,835	900
June	10,970	4,909	2,014	858	1,156	2,895	2,269	2,887	905
July	11,060	5,051	2,074	905	1,169	2,977	2,306	2,792	911

Repossessions

E. S. DAWE, ***Vice President & Manager,*** **E. W. Woods & Co. Ltd., Toronto, Ont.**

REPOSSESSIONS cover a varied field, in some phases of which credit executives are not directly interested. Your principal concern probably is in repossessions where goods are sold under the "Hire System," or, as sometimes known, "Conditional Sales" or "Lien Contracts."

Through 30-odd years of personal knowledge and experience, I have learned something of the pitfalls and peculiarities common to this legalized procedure. Having been in credit work for several years in my earlier business life, I can sympathize with credit executives and appreciate some of their problems.

No matter how harmonious an organization you may represent, a breach between the Sales and Collection Departments will arise from time to time. When credit sales are made, the Sales Department regards its job as being done efficiently. It is not considered in a favourable light if merchandise finds its way back into the warehouse because the purchaser neglects to carry out his part of the bargain. The impression could be gained that the Collection Department has not done its job as thoroughly as the sales end.

Perhaps its efforts have not been as fruitful, but we must all realize that it is only as a last resort that legal steps to procure possession of security are ever taken. Let us look for a moment at the position in respect to repossessions under Chattel Mortgages and Bills of Sale. In the former, it is usually a borrower who has pledged certain merchandise or effects to cover the moneys advanced, or, as in many cases, the balance of the purchase price of a business or tangible asset. If he defaults in the terms of his contract, the mortgagee may, without notice, repossess the secured articles and sell them in satisfaction of his claim, together with all legal expenses and any other proper charges that he may have to pay. Most Chattel Mortgages also contain an "insecure" clause, which permits the mortgagee to repossess if for any good reason he believes his security is being jeopardized. The same procedure usually follows in "Bills of Sale," although in the latter, the articles in question have really become the property of the bailor, but are left in the custody or possession of the bailee, subject to the terms of the document.

Under "Conditional Sales Contracts," or, as more commonly known, "Lien Notes," the situation is somewhat different. I shall not attempt to cover fully the "Conditional Sales Act," but will touch lightly on the subject, as it is that legislative act which gives us the rights we have in repossessions. Unlike "Chattel Mortgages" or "Bills of Sale," title to the articles sold never passes until the contract is paid in full. In plain words, ownership is vested in the vendor until he receives full payment of his Lien Note. Should default be made, he has the right to the return of his merchandise. The ease with which this can be accomplished is governed by several factors: The proportionate amount still outstanding in ratio to the original purchase price, the circumstances under which the debtor has defaulted, and the reputation which he may have as a consistent defaulter with others.

It would be a happy world if a collection manager could request the debtor to return the merchandise because of his arrears and find complete cooperation. It happens—but seldom. And when it does, usually the article is worn out, or wrecked, and not fit for resale. After all, the main reason for repossession is not to deprive the purchaser of what he has partly paid for, but to minimize your loss and to relieve the debtor of an obligation which he is unable to pay. Conceivably, the longer the merchandise is left in his custody without payment, the smaller the chance of his being out of your debt. This, of course, brings up the point of claiming any balance which may remain after realizing on your security. While we believe it is the exception, rather than the rule, to follow such procedure, it can be used as an effective weapon on some classes of accounts.

Articles Liable for Repossession

Household and office furniture, musical instruments, radios, refrigerators and other electrical appliances represent the bulk of articles which are liable of repossession. Motor vehicles fall in a somewhat different group, as, almost without exception, the contract for the unpaid balance is a document registered in the County Court offices, be it a Chattel Mortgage, Bill of Sale, or Lien Note. But with the other merchandise enumerated, principally household furniture, the vendor seldom registers his document and depends on his name being stamped or stencilled on the articles, together with serial numbers, which may appear on the original contract.

Repossession of such articles is sometimes difficult, as these markings may have been removed purposely or, for some unexplainable reason, may not have been placed on the article before delivery. The Canadian Encyclopedic Digest, Ontario Division, states, "Even if the name and address of the vendor are removed or obliterated by the bailee after delivery, without the consent of the vendor, the vendor cannot thereby be deprived of his rights, providing the goods are properly marked at the time of delivery of possession."

Some firms use their collection staff if repossessions are the only solution, but experience teaches that, unless the purchaser offers to turn back the merchandise voluntarily, it is a safer procedure to employ an established and licensed enforcement officer. I like that expression better

than the generally recognized title, "bailiff." The latter, of course, is supposed to be much more effective for the purpose, but times have changed and we who are engaged in this line of work resent any association with the old school of bailiffs, as handed down from our English forefathers.

Bailiff work is now conducted, on the whole, by a group of experienced businessmen holding certificates of qualification from the Provincial Government and licensed by the municipality in which they operate. They are trained in the legal requirements of their office and it is definitely in their interest to act properly, so that there will be no reaction against either their client or themselves. They are heavily bonded as a protection to the public and have a wholesome respect for the laws which they endeavour to enforce.

We find in our work many forms of Lien Notes. Contract is probably a better term, as in most of these documents the purchaser "contracts" with the vendor that he, the vendor, may possess himself of the goods or merchandise if any default occurs. In law, this is regarded as sufficient, regardless of any statutory legalization.

With recent relaxations in credit terms and as more merchandise becomes available, we must assume that greater risks will be taken. While we would like to think that collections will maintain the high ratio of the past several years, it goes without saying that more repossessions are in the offing. Do not be squeamish about this collection angle. The customer has your goods. He cannot or does not carry out his part of the bargain and, as a final resort, your action in repossessing is justifiable. One of the commonest mistakes in this procedure is for the purchaser to be advised that "we will have to send the bailiff." This threat works occasionally, but more often it creates a situation wherein the retaking of the goods by your agent becomes a difficult task, resulting in embarrassment to all concerned.

The phrase, "legal action will have to be taken," should serve any purpose and leaves the customer with no precise knowledge of what that action will be. Your bailiff, being experienced in his work, will feel then that he has to meet an ordinary situation and will get the desired results, without the possibility of complete opposition. Your bailiff is your representative and, as such, is entitled to the same cooperation as a member of your own staff. He will ease the situation in keeping with all the circumstances and create no feeling of ill will. That is as much his job as the procuring of your security.

Just a word or two in respect to repossessing motor vehicles. Never in the history of automobile financing has there been as much conversion as during the past year. It seems to me that the responsibility for this lies to a great degree at the door of the black market and the extraordinarily high prices being paid for used cars and trucks. As between the vendor and purchaser or lender and borrower, registration of the Chattel Mortgage or Lien Note is absolutely essential. Otherwise, action against a third party or innocent purchaser is futile.

If registration is good, the vehicle can be repossessed, and the third or any ensuing party will have to pay or lose whatever money he had in the transaction, reserving the right, of course, of legal and often criminal action against the parties from whom he bought. I have recently seen cases where cars have changed hands three or four times in an amazingly short period. You can well imagine the complications which ensue. But the mortgagee or vendor is still "sitting in the driver's seat" if he has complied with the legal requirements set down.

The repossession of wearing apparel and fur coats is in a class by itself, and is probably the most unsatisfactory. It is definitely in the most troublesome category and the final results fall a considerable distance from what we regard as a successful conclusion. The accounts usually result in a collect procedure spread over a lengthy period, backed up by the threat of repossession. The vendors seldom want their merchandise returned, for obvious reasons, and are satisfied to leave the matter to the discretion of their agent. A certain amount of good will may be established, too, and who knows—the tardy customer of today may not be tardy tomorrow.

I cannot help stressing the importance of keeping strictly within the law when taking possession of your goods, when default has been made. Chattel Mortgages, especially (and, in many cases, Conditional Sales Contracts and Liens) contain a clause which purports to give the right to "break down doors, bars and other hindrances," when necessary to repossess, but this is a sure path to litigation and charges of assault.

You are responsible for the acts of your representatives and can be joined in any such action. This is one important reason why you should delegate repossession to an experienced and reliable firm, licensed for this type of work. The cost is small in proportion to the protection given and the results are likely to be much more satisfactory. Do not consider the incident closed, though, as in a small percentage of cases, it may not be possible to repossess when your agent receives his instructions. Ownership of the articles may have changed and no trace be found. The goods may have been sold without consent, and the innocent purchaser cannot be located, or legal entrance to the premises, usually those of an experienced defaulter, cannot be made. In such extreme cases, a replevin action may be taken through the courts, with a reasonable degree of success. ★★★

LOCAL ASSOCIATION Activities

Baton Rouge, Louisiana

The following officers and directors were elected at the annual meeting of the Retail Merchants Credit Association of Baton Rouge, La., held recently: President, W. Bogan Quine, W. B. Quine Auto Service; Vice-President, H. F. Pretorius, C. H. Hebert & Co.; Treasurer, E. A. Sowar, Louisiana National Bank; and Secretary, William Decker, Retail Merchants Credit Association. Directors: I. L. Morris, Commercial Securities Co.; F. J. Bahlinger, Kornmeyer Furniture Co.; J. M. Shanahan, Southern Bell Tel. & Tel. Co.; J. G. Laborde, Sears, Roebuck & Co.; A. W. Causey, I. M. Causey & Co., Inc.; Lawrence Mann, Standard Motor Car Co.; R. J. Abbott, Darling Lumber Co.; St. George Hines, Peerless Laundry; Evans Roberts, Welsh & Levy Clothing Co., Louis Selig, Rosenfield Dry Goods Co.; L. J. Persac, City National Bank; A. H. May, Goudchaux's; Walker Y. Pettit, Lobdell Hardware Co.; H. F. Williams, Home Finance Service; and Marian O. Brooks, Belisle Cleaners & Furriers.

Winnipeg, Canada

At a recent meeting of the Credit Grantors Association Ltd., Winnipeg, Canada, the following officers were elected: President, H. Genser, Genser & Sons; Vice-President, J. A. Campbell Smith, Hudson's Bay Company; and Secretary-Treasurer, S. E. Masson, Winnipeg Credit Bureau. Directors: H. W. Ashton, Winnipeg Electric Company; Mrs. A. Baker, Ralph McDonald Clothing Ltd.; O. M. Day, Northern Public Service; Wm. G. Kerby, Capital Coal Company; W. J. Roy, Breen Motors Ltd.; K. G. Slocomb, Black & Armstrong; and E. G. Moor, Modern Dairies.

Oklahoma City, Oklahoma

The Retail Credit Association of Oklahoma City, Okla., elected the following officers and directors at its recent meeting: President, Leon Utter, Kerr Dry Goods Co.; Vice-President, B. J. Wahl, Prichard Oil Co.; Secretary, Howard Weston, Walter E. Allen Co.; and Treasurer, Marie Liebolt, Jack Hall Pontiac Co. Directors: Cecil Brown, Universal C. I. T.; Hal Whitten, Whitten & Whitten Co.; Leo Cox, Greenlease-Moore, Inc.; and Alice Munson, W. J. Pettee & Co.

Minneapolis, Minnesota

The Retail Credit Association of Minneapolis held its annual meeting in May and elected the following officers and directors: President, G. A. Sandberg, Boutell Bros.; Vice-President, M. E. Mortenson, Marquette National Bank; Secretary, C. A. Wildes, Minneapolis Credit Exchange; and Treasurer, Clara Gaustad, La Belle Safety Storage and Moving Co. Directors: Walter Billman, Billman; M. G. Langquist, Richman Bros. Co.; Gordon J. MacGregor, Buttrey Stores, Inc.; Merton D. Olson, H. A. Rogers Co.; P. A. Bernard, North Western-Hanna Fuel Co.; Hildur Carlson, Northern Lumber & Fuel Co.; Frank E. Goudie, Marsh & McLennan; Paul E. Johnson, Reeves Coal & Dock Corp.; J. Everett Swanson, Minneapolis Gas Light Co.; and Kenneth V. Steenson, Midwest Oil Co.

District Ten at Vancouver, B. C.

At a recent meeting of District Ten held at Vancouver, B. C., the following officers and directors were elected to serve for the ensuing year: President, Herbert Barnes, Vancouver Motors, Ltd., Vancouver, B. C.; Vice-President, J. H. Fisher, Meier and Frank Co., Portland, Ore.; and Secretary-Treasurer, Thomas Downie, Retail Credit Granters Bureau Ltd., Vancouver, B. C. Directors: Norman Brayshaw, Northern Permanente Foundation Hospital, Vancouver, Wash.; Elmo Steffenson, Grand Street Furniture Co., Helena, Mont.; Donald Farr, Farr & Elwood, Coquille, Ore.; Bernard Murphy, Stain Bros., Inc., Great Falls, Mont.; Jack Pengelly, C. E. Carlson Co., Spokane, Wash.; Richard Wright, Seattle First National Bank, Seattle, Wash.; and Geoffrey Ellis, David Spencer, Ltd., Victoria, B. C. National Director, Harold Blancher, Seattle Trust and Savings Bank, Seattle, Wash.

Milwaukee, Wisconsin

At a recent meeting of the Milwaukee Retail Credit Association, Milwaukee, Wis., the following officers and directors were elected: President, G. Theodore Bach, First Wisconsin National Bank; First Vice-President, William F. Streeter, Nelson Bros. Furniture Store; Second Vice-President, Karl J. Meisner, Wisconsin Electric Power Co.; and Secretary-Treasurer, Fred S. Krieger, Credit Bureau of Milwaukee. Directors: Jacob J. Fuchs, Wisconsin Ice & Coal Co.; Roy H. Kanies, Milwaukee Gas Light Co.; Ray C. Hoffman, Borden's; Clemens A. Lehnen, American Furniture Co.; Camilla Ebert, Socony-Vacuum Oil Co.; R. D. Burger, Edwards Motor Co.; Oliver J. Vivian, Oliver Adjustment Co.; and S. A. Bialecki, Milwaukee Gas Light Co.

Washington, D. C.

At the annual meeting of The Associated Retail Credit Men of Washington, D. C., the following officers and directors were elected: President, Frank P. Scott, Woodward & Lothrop; Vice-President, J. P. Stedehouder, Lansburgh & Bro.; and Secretary-Treasurer, John K. Althaus, The Credit Bureau. Directors: Harry N. Aiken, Grosner's; Leo Baum, The Goldenberg Co.; Benjamin Blanken, Chas. Schwartz & Son; Abe Coonin, Wm. Hahn & Co.; Samuel E. Collegeman, S. Kann Sons Co.; Elsie M. Lee, Frank R. Jelleff; Roscoe W. Reichard, The Hecht Co.; Herbert J. Rich, B. Rich's Sons; Edw. A. Henkle, Raleigh Haberdasher; and Ben Stein, Benson Jewelry Co.

In The NEWS

A RECENT SURVEY discloses that most members of the Retail Merchants Association of Philadelphia plan no major changes after the termination of Regulation W provided demand continues good. A large percentage of credit stores expressed no desire to return to prewar conditions. Generally, they indicated they will set a floor of 10 per cent down with an 18-month time limit, except on higher-priced items. Instalment payments then will be stretched to 24 months or possibly, in exceptional cases, to 30 months. Finance agencies plan to exert extreme caution, especially in items that depreciate quickly or where they are subject to frequent improvements or change in design. All groups believe that modification will stimulate sales, and none apparently fears a credit-term war in the immediate future.

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THE NEW YORK State Bankers' Association has appointed a consumer credit committee to survey and study developments which have taken place in the time sales finance business in New York since the end of the war.

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THE FEDERAL RESERVE Board estimated that the "middle income" of the nation's 46,500,000 families rose from $2,020 in 1945 to $2,300 in 1946. The Board said that 60 per cent of the families had a joint income of $2,000 or more in 1946 as compared with 53 per cent in 1945.

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CASH DIVIDENDS publicly reported by corporations in July totaled $444.9 million, an increase of 13 per cent over a year ago, the Commerce Department reported. Dividends announced in the three months ended with July amounted to $1,213,500, a gain of 16 per cent over a year ago. Publicly reported dividends are estimated to account for about 60 per cent of all cash dividends paid.

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CONSUMER INSTALMENT loans held by leading types of lending institutions increased 54 million dollars during July to 2,374 millions by the end of the month. Instalment loans outstanding at each of the cash lending institutions now exceed the August 1941 peak.

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OVER FIFTY per cent of the veterans are expected to turn in their two billion dollars worth of interest-bearing terminal leave bonds for cash. One publication surveyed veterans' plans and considers home furnishings, electrical appliances and clothing the items most likely to be purchased by veterans cashing in the bonds.

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BEGINNING in August, the D. H. Holmes Co., Ltd., the Leon Godchaux Clothing Co., Ltd., and Labiche's, Inc., together with Katz & Besthoff, Ltd., drugstore chain, are introducing cycle billing.

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ESTABLISHMENT of the revolving credit plan at Kerr's, Oklahoma City, Okla., brought immediate results. Reaction, as revealed in the responses, indicated enthusiasm over the idea. The system is based on a planned budget account, in which the customer agrees to give her credit totaling to 12 times that amount permanently.

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APPLICATIONS for credit for railroad tickets and travel expenses will be acted upon within 24 hours, according to the 50 railroads who have adopted the plan. The plan also calls for credit to be extended for clothing and equipment for vacations.

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INSTALMENT ACCOUNTS outstanding at jewelry stores declined slightly as is usual in July, while those at furniture and household appliance stores continued to increase. Furniture store accounts receivable were up 34 per cent from the year-ago level; the gain at jewelry and household appliance stores was approximately 86 per cent.

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THE GREATEST increase in income centers around South and North Dakota, followed by Nebraska and Kansas—all being 150 per cent higher than in 1940.

ANOTHER INTENSIVE study of consumer credit is to be made in Indiana. Governor Ralph F. Gates has appointed the seven-man commission authorized by a resolution adopted at the 1947 general assembly. It is to submit a report of its findings to the 1949 legislature, together with any proposed bills it may deem necessary.

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THE JULY collection ratios on instalment accounts of furniture and jewelry stores declined one point to 22 per cent and 23 per cent, respectively. At household appliance stores collections during July were 44 per cent of instalment accounts outstanding on the first of the month as compared with 46 per cent in the preceding month.

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RETAIL BAD DEBT losses are trending a little higher but there is nothing in the picture yet that is cause for alarm, according to many credit executives. Still, they are keeping abreast of the situation by being more careful in accepting new accounts and stricter in their collection procedure, according to a survey by WOMEN'S WEAR DAILY.

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INDIVIDUAL SAVINGS increased $3 billion in the first quarter of this year to a record level of $154 billion. The savings reported are distinct from currency and checking accounts, and consist of Government bonds, cash surrender value of life insurance, savings accounts in commercial banks, postal savings accounts and loan accounts.

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TRANSIT fares have been increased in 60 cities during the past eight months.

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RETAIL FURNITURE store sales showed about the customary seasonal decrease in July, and were seven per cent larger than a year earlier. Cash sales declined moderately, as is usual at this time of the year, and continued around one-tenth below last year's volume. Credit sales were down about 10 per cent from the preceding month, but showed a 17 per cent increase from the year-ago level.

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TAX COLLECTIONS by the various states in fiscal 1947 amounted to $6.8 billion. This is 12.5 per cent above the $6 billion total of 1946. Excluding receipts from unemployment compensation taxes, the increase was 16.4 per cent. Statistics on state revenues from nontax sources, which in 1946 amounted to 17 per cent of total revenues, have not been compiled.

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PRESENT PROSPECTS are that the world food supply for the 1947-48 consumption year may be little if any better than in 1946-47, despite world-wide efforts to increase production. This gloomy forecast was recently announced by the Department of Agriculture on the basis of a survey of crop conditions in important producing areas throughout the world.

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APPOINTMENT of a chaplain and counselor to its 1,250 employees has been announced by Loveman, Joseph and Loeb, Birmingham, Ala. The chaplain, Dr. Henry M. Edmonds, will be available two afternoons weekly to give counsel to employees.

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BUDGET-MINDED shoppers are heading back to basement stores after shifting their patronage upstairs during the war. Since the first of this year basement store sales have moved ahead at a faster pace than main store volume, and downstairs merchandise managers feel they are just getting into their stride. During the war basements were hard put to keep their volume moving ahead, while upstairs stores had a field day. The public buying spree lured basement customers upstairs, and the shortage of goods led main store departments to seek out manufacturers who normally sold to basements. To get merchandise, basements carried goods far above their normal price lines. But as goods become more readily available, basement stores are improving their position.

Credit Education and Credit Schools

THE NEXT eight months, according to all indications, will see greater activity in credit education than any full calendar year in the history of retailing.

Thousands of young men and women, just getting started in credit department positions, are eager to build for the future by gaining a thorough knowledge of sound credit procedure. Each week many are beginning the independent study of practical N.R.C.A. books that cover all the essentials of effective credit management.

Throughout the United States and Canada credit schools are also being planned for the coming months. These short courses will vary in length from three to six evening sessions. Each lecture and discussion in the series will be conducted by a person well qualified, through both study and experience, to handle an essential phase of credit management. Here, again, N.R.C.A. books written especially for retail credit department personnel will afford a practical basis for individual study in connection with credit-school programs.

Fortunately, it has been apparent during the past year that credit education would reach its all-time peak during the fall and winter of 1947-48. As a result, the N.R.C.A. publishing program from January through September of this year has already exceeded that of any previous year in the history of this Association. Three new books and revised editions of two others have come from the N.R.C.A. press in 1947. Revision of another book is now well under way. Today the "National" offers the following selection of up-to-the-minute books on vital aspects of credit management—books that will simplify and accelerate credit education:

- *Important Steps in Retail Credit Operation,* by Clyde William Phelps, 1947, price $1.50
- *Retail Credit Fundamentals,* by Clyde William Phelps, revised edition 1947, price $5.00
- *Streamlined Letters,* by Waldo J. Marra, 1940, price $5.00
- *How to Write Good Credit Letters,* by William H. Butterfield, enlarged edition 1947, price $2.25
- *Credit and Collection Letters* by William H. Butterfield, 1947, price $1.50
- *The Promotion and Control of Retail Credit,* by Dean Ashby, 1947, price $2.00

Whether your interest lies in organizing a credit school for your community or in planning a credit-education program for personal study, the N.R.C.A. will welcome an opportunity to co-operate with you. We invite your inquiries; working together is to our mutual advantage. *Better methods of retail credit operation will benefit all of us.*

William H. Butterfield

Educational Director
National Retail Credit Association